

## LOUISIANA DEPARTMENT OF INSURANCE

### **The Commissioner of Insurance and his staff are responsible for:**

- Collection of premium taxes and fees
- Licensing of insurance companies
- Investigation of claims and complaints
- Financial and market conduct examination of insurance companies
- Approval of mergers, acquisitions and reinsurance agreements of Louisiana insurance companies
- Approval of all insurance company policy forms
- Licensing, supervision and regulation of insurance agents, brokers and solicitors
- Licensing, supervision and regulation of surplus lines insurance brokers
- Licensing, supervision and regulation of bail bond agents
- Licensing, supervision and regulation of automobile clubs
- Registration of dental referral plans
- Regulation of group self-insurers for health and workers' compensation insurance
- Regulation of self-insurance programs for liability and workers' compensation insurance
- Regulation of holding companies which have insurance company subsidiaries
- Administration of the Louisiana Health Care Commission
- Administration of the Louisiana Insurance Rating Commission

### **The Commissioner of Insurance also serves on the following committees:**

- Chairman, Council on Automobile Insurance Rates & Enforcement
- Chairman, Louisiana Automobile Insurance Plan
- Chairman, Louisiana Insurance Rating Commission
- Chairman, Homeowners' Insurance and Property Insurance Task Force
- Chairman, Louisiana Automobile Collision Advisory Task Force
- Chairman, Bail Bond Agents Task Force
- Member, Louisiana Insurance Guaranty Association
- Member, Louisiana Life and Health Insurance Guaranty Association
- Member, Louisiana Health Insurance Association
- Member, Governor's Advisory Committee on Equal Opportunity
- Member, Governor's Arson Strike Force
- Member, Louisiana Workers' Compensation Corporation Board of Directors
- Member, Second Injury Fund
- Member, State Employee Group Benefits Board of Trustees
- Member, NAIC Surplus Lines Committee
- Member, Property Insurance Association of Louisiana

LOUISIANA DEPARTMENT OF INSURANCE

**Organizational Structure**

The Louisiana Insurance Department is organized into primary offices -- each office is charged with specific regulatory objectives.

The Commissioner's primary offices include:

- **Office of the Commissioner** -- includes the Division of Legal Services, the Insurance Fraud Section and the Internal Audit Division.
- **Office of Minority Affairs** -- coordinates and supports all consumer and insurance agent/agency related education, outreach and committee activities for minority and other disadvantaged groups.
- **Office of Management and Finance** -- oversees the day-to-day operations of the Department.
- **Office of Insurance Rating** -- reviews all rate and rule filings to ensure that Louisiana's rates are not excessive, inadequate, or discriminatory. The Council on Automobile Insurance Rates and Enforcement operates within this office.
- **Office of Financial Solvency** -- examines or oversees the financial and market conduct examinations of all insurance companies licensed in Louisiana.
- **Office of Licensing and Compliance** -- regulates the licensing of agents and agencies, and monitors the market for fairness and compliance with state law.
- **Office of Health Insurance** -- directs all policy, research, development and implementation of health insurance related activities. The Louisiana Health Care Commission, Quality Management, Senior Health Insurance Information Program and Quality Assurance functions fall within this office.
- **Office of Receivership** -- manages all insurance companies placed in receivership by the courts.

## **OFFICE OF THE COMMISSIONER**

### **DIVISION OF LEGAL SERVICES INSURANCE FRAUD SECTION INTERNAL AUDIT DIVISION**



**The Office of the Commissioner includes the Division of Legal Services that serves as the legal counsel and enforcement arm of the Department.**

**The Insurance Fraud Section examines and investigates all forms of suspected insurance fraud.**

**The Internal Audit Division was created to assist the managers in finding ways to improve Departmental operations.**



# OFFICE OF THE COMMISSIONER

## DIVISION OF LEGAL SERVICES

### General Responsibilities

The Division of Legal Services in the Department of Insurance was created by LSA-R.S. 36§689 and is under the direction of the executive counsel. The Division of Legal Services, in the Office of the Commissioner, serves as legal counsel and enforcement arm of the Department of Insurance. Its function includes interpreting laws, regulations and directives; preparing and monitoring legislation; representing the Department in litigation before federal and state courts; enforcing insurance regulatory law in administrative hearings; and reviewing policy forms. It also serves as liaison between the Department and other government departments, agencies and commissions, insurance companies, agents and consumers.

### Summary of FY2000 Legal Activities

Consumer privacy and health issues were the two major concerns of the Division during the 1999 - 2000 fiscal year. The Commissioner established a Financial Services Modernization Task Force after the passage of the Gramm-Leach-Bliley Act (GLBA) in November 1999. The members of this task force includes representatives of the bank and insurance industry and is co-chaired by the Commissioner of Insurance and the Commissioner of Financial Institutions. The charge of the task force was to bring the two industries together to discuss the impact of GLBA on both industries, to facilitate the banking industry entering into the insurance arena with respect to licensing and market conduct issues and also to open a dialogue on possible legislation for the 2001 legislative session. Additionally, the task force was kept informed and asked for input on state and national initiatives to promulgate regulations for privacy of consumer financial information in the banking and insurance industry.

The privacy of patient health information was addressed in statewide conferences entitled “*Patient Privacy*” throughout the year, along with conferences on “*ERISA Erosion, HIPAA and COBRA Compliance*.” The Division’s attorney assigned to the Office of Health participated as a speaker at these conferences to educate the public, health insurers and employers on key health issues. Regulation 68 was promulgated to provide guidelines for Patient Rights under Health Insurance Coverage in Louisiana. Regulation 74 “*Prompt Payment of Claims*” addressed legislation passed during the 1999 Legislative Session to set forth guidelines on the timely payment of health claims by health insurers. Months of meetings and speaking engagements were held with the health industry resulting in the proposed Regulation 77 “*Medical Necessity Review Organizations*.”

OFFICE OF THE COMMISSIONER

The Division was an active participant in the Y2K initiative at the Department and provided guidance in the preparation of the Department's Y2K compliance plan and disaster contingency planning in accordance with Executive Orders MFJ 96-50 and MFJ 98-04. The Y2K plan was designed to promote awareness of the potential Y2K problem both internally and publicly and to assess and provide remediation for potential problems. Additionally, Regulation 69 "Year 2000 Exclusions" was adopted in July 1999, superceding an earlier emergency regulation adopted in March 1999 to address issues raised by the surplus lines market.

A Division staff member was asked to participate as a panelist at the national convention of the Risk and Insurance Managers Society (RIMS) convention regarding pollution exclusion the topic "But It's Not Pollution!" The convention attracts over 30,000 participants from around the world. The Division staff member also worked with the Property & Casualty Division in the planning and participated as a panelist at the 1999 Fall LDI Form Filers Seminar. Topics included: Top Reasons for Disapproval, Y2K Regulation, Commercial Lines De-Regulation and Pollution Exclusions -- Why Ducote does not affect the Commissioner's Authority to Regulate Forms.

Not only did Division staff participate on the Louisiana Land Title Association Liaison Committee throughout the fiscal year, but also on the Automobile Collision Task Force, Health Care Commission and Bail Bond Task Force, assisting each industry in dealing with issues that are unique to their business.

**Administrative Hearings Litigation Report**

In FY2000, the Litigation Report of the Division of Legal Services tracked approximately **265 entries** relating to legal representation of the Department of Insurance in its enforcement and regulatory capacity. Each attorney works closely with different Department offices/divisions, for example, revoking certificates of authority (7); citing companies for failure to meet statutory deposits (8) and failure to file reports timely (69) for Financial Solvency; representing the Licensing Division in mergers and acquisitions (5); misappropriations (8); misrepresentations (4) and failure to pay taxes, fines or assessments (37).

**Fines Collected**

Staff attorneys serve as prosecutors and fine collectors for law violations in the legal issues hearings above. In FY2000, the Division of Legal Services assisted the Commissioner in collecting \$169,432 in fines.

In addition to its regular legal duties, the Department is mandated by R.S. 22§658(1) to assist the District Attorneys in collection of bail bond forfeitures without additional budgetary support. Department attorneys prosecuted 58 bail bond forfeiture hearings in FY2000.

OFFICE OF THE COMMISSIONER

TABLE 1

Types of Legal Issues in FY2000 Administrative Hearings	
Failure to File	3
Failure to File Department Reports Timely	60
Bail Bond Forfeitures	58
Failure to Meet Statutory Deposit Requirements	8
Misappropriation	8
Unlicensed/Unauthorized Agents or Companies	18
Failure to Pay Taxes, Fines or Assessments	37
Revoking Certificate of Authority	7
Misrepresentation	4
Acquisition Hearings	5

**FY2000 Rules, Regulations, Directives and Opinions**

In addition to administrative hearings, other key responsibilities center on legislation, regulatory policies and opinions. Lists of regulation and directives promulgated in FY2000 follow:

**A. FY2000 Rules, Regulations and Directives Issued:**

Directive No. 149 -- Statutorily Imposed Vicarious Parental Liability  
Issued November 30, 1999

Directive No. 150 -- Minimum Maintenance Prescription or Refill Supplies  
for Year 2000 Preparedness  
Issued December 15, 1999

Directive No. 151 -- Insurance Premium Financing  
Issued January 13, 2000

Rule 13 -- Special Assessment to Pay the Cost of Investigation,  
Enforcement and Prosecution of Insurance Fraud  
Effective February 20, 2000

Regulation 68 -- Patient Rights Under Health Insurance Coverage in  
Louisiana  
Effective February 20, 2000

## OFFICE OF THE COMMISSIONER

### **FY2000 Rules, Regulations & Directives Issued -- continued)**

Regulation 69 -- Year 2000 Exclusions  
Effective July 1999  
Effective January 2000 -- Revisions

Regulation 72 -- Commercial Lines Insurance Policy Form Deregulation  
Effective April 1, 2000

Directive No. 152 -- Statutorily Imposed Vicarious Parental Liability  
Issued June 9, 2000

Regulation 70 -- Replacement of Life Insurance and Annuities  
Effective July 1, 2000

Directive No. 153 -- Disclosure of Consumer Personal Information Special  
Examination Survey  
Issued June 20, 2000

Directive No. 154 -- Request for Information  
Issued June 28, 2000

### **B. FY2000 Attorney General Opinions Issued**

A.G. Opinion No. 99-330 -- 18 U.S.C. Subsection 1033, LA R.S. 22§1114  
Issued February 18, 2000

A.G. Opinion No. 00-249 -- Public Funds & Contracts Insurance Issued  
June 30, 2000

### **C. FY2000 Policy Opinions/Legal Opinions/Advice**

Attorneys in the Division of Legal Services are frequently asked to provide formal and informal legal opinions for the public, the insurance industry, other regulators, and Department personnel. In FY2000, eight (8) formal opinions and/or legal advice were issued on the following subjects:

LA No. 99-25 -- Texas Non-Resident Licensing Requirements  
Issued January 11, 2000

LA No. 99-10 -- Prompt Payment Discount  
Issued February 1, 2000

LA No. 99-24 -- L.S.A. 44§4 -- Tax Credits  
Issued February 11, 2000



## OFFICE OF THE COMMISSIONER

### **FY2000 Policy Opinions/Legal Opinions/Advice -- continued)**

LA No. 00-07 -- Fraud Assessment  
Issued February 21, 2000

LA No. 00-12 -- Fraternal Benefit Societies  
Issued June 26, 2000

LA No. 00-06 -- LIGA Assessment  
Issued June 23, 2000

LA No. 00-05 -- LLHIGA Assessment  
Issued June 27, 2000

LA No. 00-09 -- Bonded Builders Home Warranty Association  
Issued June 28, 2000

### **D. FY2000 Bulletins and Revocation Orders**

Bulletin No. 99-02 -- Procedural Changes in Processing Company Annual  
Agent Appointment Renewal Lists  
Issued November 12, 1999

Revocation Order No. 99-01 -- Texas Central Life Insurance Company  
Issued December 13, 1999

Revocation Order No. 99-02 -- Legal Security Life Insurance Company  
Issued December 13, 1999

**OFFICE OF THE COMMISSIONER**

**INSURANCE FRAUD SECTION**

**Purpose**

The Fraud Section examines and investigates all form of suspected insurance fraud. Each investigator works closely with the various Department offices and divisions as well as State Police, the Attorney General's Office, local and federal law enforcement and prosecutors, insurance companies, insurance agencies and the general public in its mission to reduce insurance fraud in our state. Emphasis is placed on:

- Investigating suspected fraudulent claim reports and working closely with enforcement and prosecutors in the prosecution of individuals involved in fraudulent activities.
- Investigating agents and companies who are suspected of engaging in fraudulent practices and working with law enforcement and prosecutors in prosecuting individuals involved in fraudulent activities.
- In conjunction with criminal investigations, working with the Legal Division to take administrative action against such individuals.
- Performing background checks and investigations on entities and individuals seeking to conduct the business of insurance in Louisiana.

In 1999, there was legislation that created an assessment on insurance companies in order to provide funding to combat insurance fraud. The use of these funds was designated for the creation of a fraud unit within the Office of the State Police and for additional assistance to the existing Fraud Sections within the Department of Insurance and the Department of Justice.

As a result of this assessment, our Fraud Section has been able to add six (6) additional investigators and one (1) additional technician. This brings the total number of the Fraud Section to twelve (12). The fraud units of the three agencies work closely as a task force, each playing a part in the process, from preliminary investigation and criminal referral to arrest and prosecution. The three fraud units' combined strength provides a greater ability for success than was previously possible in the detection and prosecution of insurance fraud. Any law enforcement authority may investigate insurance fraud, but the majority of cases are channeled through the State Police Insurance Fraud Investigation Unit. When local authorities elect to pursue insurance fraud cases, the Department of Insurance Fraud Section works with them and also acts as an informal liaison between the local Police Insurance Fraud Investigation Unit.

Similarly, local authorities may prosecute cases of insurance fraud, but often do not have the manpower and/or expertise available. In such cases, they may defer to the Attorney General's Insurance Fraud Support Unit.

OFFICE OF THE COMMISSIONER

Claims Fraud

In FY2000, the Insurance Fraud Section's database of suspected fraudulent claims contained over 2,750 entries. The majority of these claims were received from insurance companies in accordance with LRS 22§1245. During this fiscal year, an additional 495 reports of suspected fraudulent claims were received.

The database is vital to the operations of the Insurance Fraud Section because it provides the ability to determine patterns, such as numerous suspicious claims:

- Made by an individual to different insurance companies
- Involving a particular medical provider or attorney

The largest single type of suspected fraudulent claim reported is that of false or exaggerated loss statements. This can involve various lines of insurance. Examples include:

- Claiming items were stolen from a house that were never actually in the house.
- Claiming that damage occurred from an automobile accident when, in fact, the damage actually occurred prior to the said accident.

Other examples of suspected fraudulent claims include staged accidents -- people who jump into a vehicle after an accident occurs and claim to be injured; slip and falls; false billing; workers' compensation (both premium fraud and fraud by those claiming workers' compensation); and medical, health care and provider fraud.

The additional staff provided by the fraud assessment has enabled the Fraud Section to initiate preliminary investigations of suspected fraudulent claim reports. Through the review of the report, the claims fraud database and other resources, it may be determined that a criminal referral should be made to the State Police Insurance Fraud Investigation Unit. Additional information may be obtained from insurance companies and other sources in developing the referral.

Louisiana law (LRS 22§1245, 40§1424) requires the reporting of all cases of suspected fraudulent claims to both the Department of Insurance Fraud Section and the State Police Insurance Fraud Investigation Unit. The Suspected Fraudulent Claim Report form has been revised to indicate that reporting is required to both agencies.

OFFICE OF THE COMMISSIONER

**Agent and Company Fraud**

Investigations of agents and companies may involve misrepresentation; misappropriation of funds belonging to a policyholder, beneficiary or insurer; unlicensed and/or unauthorized entities; and fraudulent ID cards and certificates of insurance.

**The number one agent scam involves an agent taking money from an individual and never submitting it to an insurance company to secure insurance coverage. Fake ID cards and fraudulent certificates of insurance are often involved.**

Investigations include the compilation, research and analysis of information regarding agents and companies acquired by the section from consumer complaints, agents, companies, other insurance department offices and other sources. Information is analyzed to determine if sufficient evidence exists to justify department action and/or criminal referral. Investigators work closely with law enforcement in on-site investigations of fraudulent activity and gathering of additional evidence.

In addition to criminal referrals, actions also include serving agents or companies with Cease & Desist Orders and/or Summary Suspensions of their licenses. Agents or companies are then called to an administrative hearing. Actions as a result of a hearing may include fines, suspension and/or revocation of a license or certificate of authority.

TABLE 2

Actions Taken Regarding Agent and Company Fraud in FY2000	
Cease & Desist Orders and/or Summary Suspensions Served	11
Injunctions Filed	1
Walk-Ins on Agencies/Agents Suspected of Insurance Fraud	6
Criminal Referrals Made to Law Enforcement	15
Arrests Made as a Result of Criminal Referrals	9
Convictions and/or Guilty Pleas	3
Administrative Hearings Held	4
Fines Imposed	\$1,500

OFFICE OF THE COMMISSIONER

There were eight (8) arrests in FY2000 as a result of criminal referrals from the Insurance Fraud Section. Those arrests are categorized in Table 3.

TABLE 3

Insurance Fraud Arrests By Category in FY2000		
Category	% Of Arrests*	Number Of Counts**
Misappropriation of Insurance Premiums	75.0%	60
Felony Theft	75.0%	7
Insurance Fraud	37.5%	3
Selling Insurance Without a License	50.0%	8
Filing False Public Documents	25.0%	2

\* Arrests often include multiple charges  
\*\* Number of counts is NOT available on all cases

Fraud Prevention

The Insurance Fraud Section plays a vital role in insurance fraud prevention. The two key components are **education** and conducting extensive **background investigations**.

EDUCATION:

Steps taken to educate the public on the prevalence of insurance fraud and how to prevent it are important parts of fraud prevention. The Insurance Fraud Section’s efforts include press releases, fraud newsletter, brochures and speaking before various groups and organizations.

BACKGROUND INVESTIGATIONS:

As part of its duties, the Insurance Fraud Section is charged with the responsibility of investigating the backgrounds of companies, officers, directors and surplus lines agents applying to conduct the business of insurance in Louisiana. This includes changes of officers and directors of domestic companies currently authorized to do business in Louisiana.

Contacts include, but are not limited to:

- US Attorneys and prosecutors at various levels in all states.
- FBI and law enforcement authorities nationwide

OFFICE OF THE COMMISSIONER

- Federal and state agencies involved with the regulation of securities
- Professional licensing boards
- Regulatory entities at both state and federal levels
- Insurance Departments nationwide and their counterparts internationally
- Fraud prevention and detection organizations, such as NICB (National Insurance Crime Bureau), IAIFA (International Association of Insurance Fraud Agencies), IASIU (International Association of Special Investigative Units) to name a few.

During the course of investigating companies and biographical information on individuals, it often becomes necessary to establish communications with regulatory, judicial and law enforcement agencies on interstate, national and international levels. The scope of the investigation often becomes extensive when derogatory information is uncovered.

Cases in which the Insurance Fraud Section’s investigations and research uncovered information that led to the section’s recommendation of denial of an application include such cases as these:

- An applicant listed his medical license as active, when numerous incidents had led to the revocation of his license three years prior to his application.
- An applicant had been denied a license in another state for insurance related activities.
- An applicant was a convicted felon.

In addition, the Insurance Fraud Section investigates and reviews all applications for written consent in accordance with 18 USC 1033, which requires that anyone convicted of certain felonies apply for and be granted written consent from the Commissioner of Insurance in order to participate in any way in the business of insurance. Table 4 outlines the type and number of applications completed by the Insurance Fraud Section.

TABLE 4

Background Investigations Completed by Insurance Fraud Section in FY2000	
Description	Number
Company Applications Received	137
Company Applications Approved	81
Company Biographical Affidavits Received	930
Company Biographical Affidavits Approved	625
Surplus Lines Biographical Affidavits Received	29
Surplus Lines Biographical Affidavits Approved	21

OFFICE OF THE COMMISSIONER

**INTERNAL AUDIT DIVISION**

The Internal Audit Division, established in 1992, reports to the Commissioner through the Chief Deputy Commissioner. Its major function is to assist management by identifying weaknesses and deficiencies in departmental operations and to make recommendations for necessary corrective actions. This division also performs special projects, as assigned by the Commissioner, and special reviews as requested by Division Managers in an effort to avoid future problems.

In order to carry out the duties assigned to the division, the Internal Audit staff has full, free, and unrestricted access to all departmental activities, records, property, and personnel.

Goals of the Internal Audit Division include continuing the education and professional training of its staff; conducting effective and timely audits of Department divisions, including the production of audit reports with appropriate constructive criticism; and eliminating the number of repeat findings in annual Department Legislative Auditor reports.

The Division of Internal Audit staff consists of a Division Director and two Internal Auditors. The audit schedule includes follow-up visits to areas previously audited to ensure that corrective actions are being taken to avoid continuance of any audit findings.





# **OFFICE OF MANAGEMENT AND FINANCE**

**INFORMATION TECHNOLOGY DIVISION**

**ADMINISTRATIVE SERVICES DIVISION**

**SURPLUS LINES AND INSURANCE PREMIUM  
TAX DIVISION**

**FISCAL DIVISION**

**HUMAN RESOURCE DIVISION**

---

**The Office of Management and Finance oversees the day-to-day  
operations of the Louisiana Department of Insurance.**



## OFFICE OF MANAGEMENT AND FINANCE

### INFORMATION TECHNOLOGY DIVISION

The mission of Information Technology Division (IT) is to provide support for all offices in the Department of Insurance in the areas of computer system development, computer systems operations, computer systems management, effective use of personal computers and general technical consulting for office automation.

Information Technology Division achieves effectiveness by matching its objectives with the overall goals and objectives of the Department of Insurance. In turn, senior management and users who take an active part in the decisions concerned with the direction and use of IT accomplish this. IT continually works with senior management and users to upgrade electronic information processing within the Department of Insurance.

At the operational level of the Department, IT is generally seen as a tool for improving work efficiency. The primary activities of IT are collecting, storing, and processing data and developing and maintaining applications for other offices within the Department. The IT Department completed 2,958 service requests in FY2000.

### ADMINISTRATIVE SERVICES DIVISION

The Administrative Services Division was created in 1997 to improve the provision of necessary support services to employees of the Department of Insurance. Every employee of the Department uses one or more services provided by this division.

- **Mail Room:** Handles mail and messenger service, maintenance of the agency's automobiles, maintenance of office supply inventory and distribution of supplies, maintenance and repair of photocopiers and other large equipment.
- **Building Services and Telephone Services:** Routine maintenance and repair on the Insurance Building is handled by an on site employee of State Buildings and Grounds. Items requiring special skills or outside vendors are coordinated by the Office Coordinator in the Administrative Service Section, working with the State Building and Grounds personnel or outside vendors. Telephone services including local and long distance, voice mail, pagers, etc., are requested by the Office Coordinator from the Office of Telecommunications Management (OTM) as are wiring and repair services when needed.

OFFICE OF MANAGEMENT AND FINANCE

- **Purchasing:** All stock and special supplies, equipment, furniture and printing services are procured by the purchasing agent using ISIS and/or obtaining bids according to state law and purchasing rules and regulations.
- **Physical Inventory and Property Control:** Receiving and tagging of items purchased by the agency, as required by law, are done by the Office Coordinator, assisted by personnel in the mail room. Monthly reports of acquisition and items sent to surplus are prepared by the Office Coordinator and submitted to the Fiscal Office. Paper work for all entry items into the inventory and for surplus of items no longer needed or broken, is handled by this section. The Office Coordinator will perform the physical inventory each year.
- **Professional Services Contracts:** The assistant commissioner of the office of management and finance is responsible for seeing that all professional services contracts are processed in accordance with agency policies and procedures and within the laws, rules and regulations of the state. The administrative manager who oversees the administrative services division of the Office of Management and Finance will assure that all contracts are processed properly by the Office Coordinator assigned to that section.

OFFICE OF MANAGEMENT AND FINANCE

SURPLUS LINES AND INSURANCE PREMIUM  
TAX DIVISION

The Surplus Lines and Insurance Premium Tax Division (hereafter referred to as Tax Division) is responsible for the enforcement of all tax-related statutes of Title 22, the Louisiana Insurance Code. The major function of the Tax Division is the collection and classification of taxes and penalties from licensed insurance companies and surplus lines brokers. In addition, the Tax Division is responsible for the collection and classification of renewal license and filing fees for admitted and approved unauthorized insurers.

These responsibilities make the Tax Division a major compliance and revenue producer for the Department of Insurance and the State of Louisiana. The Tax Division performs the following functions in the Department of Insurance:

- License Taxes and Fees:** The Tax Division is responsible for the receipt and classification of all premium taxes and fees paid by licensed insurance companies. Each licensed insurance company is required to file an annual tax statement and three quarterly tax statements.

This division received, processed and audited annual tax filings, due March 1 of each year, from 1,541 licensed insurance companies. The tax is calculated based on the amount of premium reported in each insurer's annual statement. In addition to processing the 1,541 annual tax statements, each licensed insurer files a quarterly tax statement three times a year due on April 15, July 15 and October 15.

The quarterly tax due is 25 percent of the previous year's annual net tax liability. The Tax Division also makes determinations for qualification of investment tax credits and nontaxable premiums claimed by licensed insurers.

The following schedule lists the license taxes collected from licensed insurers for the calendar year ending December 31, 1999:

License Taxes	\$88,016,818
---------------	--------------

- **Surplus Lines Taxes and Approved Unauthorized Insurer Fees:** The Tax Division is responsible for collecting and classifying taxes paid by surplus lines brokers and by persons obtaining an insurance policy covering risks in Louisiana from unauthorized insurers.

OFFICE OF MANAGEMENT AND FINANCE

**(Surplus Lines Taxes ... continued)**

Taxes are due to the Department on a quarterly basis: June 1, September 1, December 1 and March 1.

The tax rate is 5 percent of premiums transacted by surplus lines brokers. More than 200 licensed Surplus Lines Brokers file and pay taxes quarterly. In addition, the Tax Division collects a fee from unauthorized insurers who are eligible for placement on the list of approved unauthorized insurers.

Listed below is the amount of surplus lines taxes collected for the calendar year ending December 31, 1999:

Surplus Lines Taxes	\$13,250,497
---------------------	--------------

- **Penalty Assessments and Tax Notices:** The Tax Division is responsible for invoicing insurance companies and surplus lines brokers for additional taxes or for tax penalty assessments. Tax penalties are assessed for either underpayment of taxes or failure to file on the appropriate due date. In addition, the Tax Division makes referrals to the Department of Insurance Executive Counsel for regulatory action in cases where taxpayers refuse to pay the additional taxes or penalties assessed.  
  
The total penalties collected by the Tax Division for the calendar year ending December 31, 1999, was \$252,028. This division also mails tax notifications of overpayment to taxpayers, which indicates available tax credits to be utilized in future periods.
- **Municipal Premium and Tax Information:** Licensed insurance companies are required to allocate Louisiana premium writings by municipality and parish. This information is collected by the Tax Division; then compiled, sorted and distributed to 286 municipalities and 63 parishes annually.  
  
The municipalities and parishes use the information to reconcile with the actual premium reported and tax paid by insurance companies.
- **Proposed Legislation Review:** The Tax Division reviews proposed legislation and provides information on the fiscal impact on revenues affecting the State of Louisiana and the Department of Insurance. In addition, the Tax Division generates statistical reports for various state agencies and legislative officials.

OFFICE OF MANAGEMENT AND FINANCE

- **Surplus Lines Broker Examinations:** The division examines more than 200 licensed surplus lines brokers, including developing and maintaining examination procedures, scheduling and monitoring examinations, issuing and resolving examination reports and collecting unpaid taxes. Referrals to the Market Conduct Division are made when noncompliance matters are discovered through the examination process.

Thirty-two (32) surplus lines broker examinations were performed in FY2000, resulting in \$7,975 in additional taxes and penalties.

- **Organization and Agency Involvement:** The Tax Division assists, provides information to and participates in the following organizations or agencies:
  - a. Louisiana Surplus Lines Association
  - b. Louisiana Insurance Guaranty Association
  - c. Louisiana Life and Health Insurance Guaranty Association
  - d. Office of Financial Institutions - certified capital company credits
  - e. Louisiana Municipal Association
  - f . National Association of Insurance Commissioners

- **Inquiries:** The Tax Division receives a large number of consumer and industry inquiries for a variety of questions and problems relating to tax filing procedures, status of companies and interpretation of statutes.

- **Historical Data:** The following schedules indicate an aggregate three-year historical data by category **presented on a calendar-year basis.**

OFFICE OF MANAGEMENT AND FINANCE

Surplus Lines/Insurance Premium Tax Division  
Three Year Historical Information by Category  
Calendar Year Presentation of Taxable Premium

TABLE 5

Total Life, Accident & Health Companies (Including HMDI) 1997-1999			
Year	Gross Premiums	Gross Tax	Net Tax
1997	2,756,865,873	62,109,665	36,063,432
1998	2,871,261,007	64,684,260	35,034,339
1999	2,903,765,923	65,410,885	30,279,476
Total Fire & Casualty Companies 1997-1999			
Year	Gross Premiums	Gross Tax	Net Tax
1997	4,756,553,117	142,257,710	48,897,980
1998	4,860,048,647	145,413,855	46,455,809
1999	4,818,246,775	144,269,585	43,598,344
Health Maintenance Organization 1997-1999			
Year	Gross Premiums	Gross Tax	Net Tax
1997	978,180,797	22,010,670	1,103,132
1998	860,213,086	19,356,485	974,101
1999	950,645,321	21,391,190	1,069,826
Title Companies 1997-1999			
Year	Gross Premiums	Gross Tax	Net Tax
1997	34,733,466	1,162,200	1,144,560
1998	53,081,505	1,595,280	1,564,367
1999	54,396,074	1,635,000	1,610,585
Surplus Lines Brokers 1997-1999			
Year	Gross Premiums	Gross Tax	Net Tax
1997	345,789,326	17,289,466	17,289,466
1998	321,965,963	16,098,298	16,098,298
1999	310,611,777	15,530,589	15,530,589
Total 1997-1999			
Year	Gross Premiums	Gross Tax	Net Tax
1997	8,876,027,921	244,829,711	104,498,570
1998	8,966,570,207	247,148,178	100,126,914
1999	9,037,665,870	248,237,249	92,088,820



OFFICE OF MANAGEMENT AND FINANCE

FISCAL DIVISION

TOTAL DEPARTMENT FUND SOURCES

CHART 1

Insurance Premium Tax	65.37%
Pension Fund Assessments	20.30%
Regulatory Fees and Licenses	12.64%
Insurance Fraud Assessment	0.73%
Bail Bond Assessments	0.62%
H I P A A	0.20%
Federal Grant (SHIIP)	0.13%
Income Not Available	0.01%

TOTAL DEPARTMENT FUND SOURCES

Insurance Premium Tax	65.37%	\$ 102,970,429
Pension Fund Assessments	20.30%	31,969,223
Regulatory Fees and Licenses	12.64%	19,911,874
Insurance Fraud Assessment	0.73%	1,141,999
Bail Bond Assessments	0.62%	975,293
H I P A A	0.20%	320,861
Federal Grant Funds (SHIIP)	0.13%	206,897
Income Not Available	0.01%	18,451
Total		\$ 157,515,027

For FY2000, the Department of Insurance receipts **totaled \$ 157.5 million**. Insurance Premium Taxes represents the largest portion at 65.37% or \$102.9 million. In addition to the Insurance Premium Taxes, the Department collections include Pension Fund Assessments at 20.30% or \$31.9 million, Regulatory fees and licenses at 12.64% or \$19.9 million, Insurance Fraud Assessment at 0.73% or \$1.1 million.

OFFICE OF MANAGEMENT AND FINANCE

(Fiscal Division ... continued)

Insurance Premium Taxes, Pension Fund Assessments, and Insurance Fraud Assessment represents the bulk of collections **86.32% or \$135.9 million and are not used to finance the Department's operations**. The remaining 13.68% or \$21.5 million represents a combination of Regulatory Fees and Licenses, Bail Bonds, Health Insurance Portability and Accountability Act (HIPAA), Federal Grant (SHIIP), and Insurance Fraud Assessment **(10% of total collections remains with LDOI)** which are used to finance the operations of the department.

Bail Bond Collections of \$975,293 are collected on behalf of the state's various sheriffs, district attorneys, the Indigent Defender Program and the Judicial Court Fund.

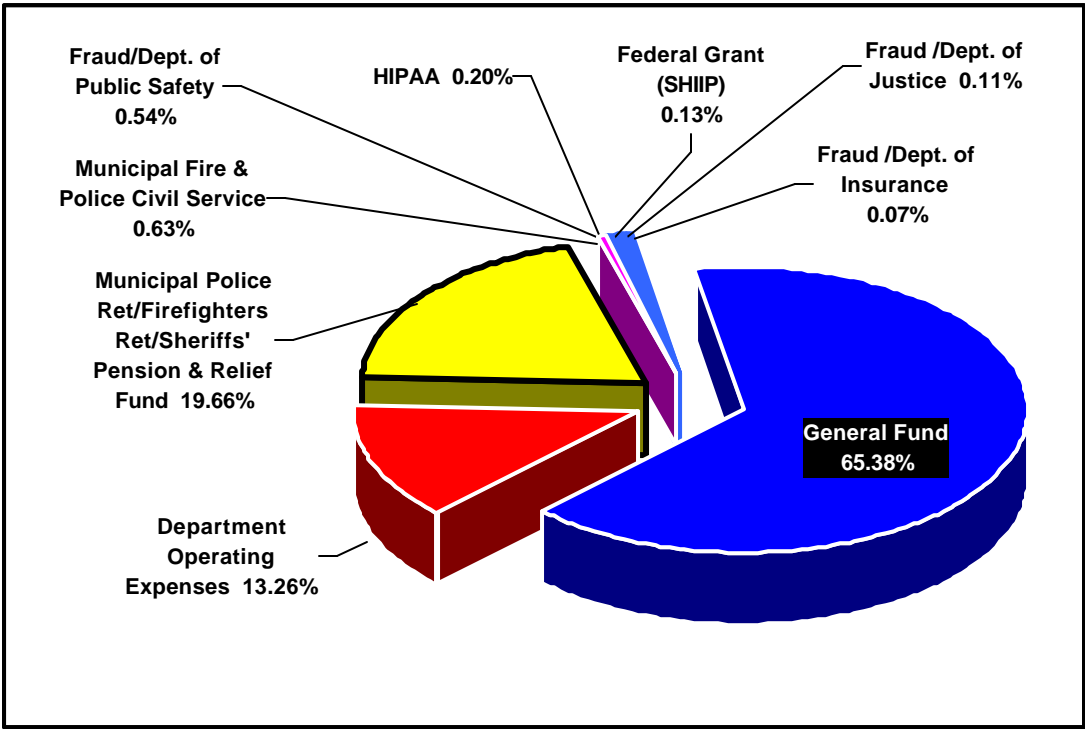
TOTAL COLLECTION OF FUNDS		
General Fund	65.38%	\$102,988,880
Department Operating Expenses	13.26%	20,887,167
Municipal Police Ret./Fire Fighters Ret./		
Sheriffs' Pension and Relief Fund	19.66%	30,973,642
Municipal Fire & Police Civil Service	0.63%	995,581
H I P A A	0.20%	320,861
Federal Grant (SHIIP)	0.13%	206,897
Fraud -- Dept. of Public Safety	0.54%	856,499
Fraud -- Dept. of Justice	0.11%	171,300
Fraud -- Dept. of Insurance	0.07%	114,200
Total		<u>\$157,515,027</u>

OFFICE OF MANAGEMENT AND FINANCE

(Fiscal Division ... continued)

TOTAL COLLECTION OF FUNDS

CHART 2



The majority of funds collected by the Department were deposited to the State Treasurer's Office for use as general fund dedicated programs.

Of the **\$157.5 million collected, \$102.9 million was used as State General Fund** and \$54.6 million was used to finance programs. Among the dedicated programs receiving funding were various law enforcement and Fire Fighter retirement programs which received \$ 30.9 million, Municipal Fire and Police Civil Service which received \$995,581, Department of Public Safety (Fraud) which received \$856,499 and Department of Justice ( Fraud) which received \$171,300 of the total funds collected.

The remaining collections of \$21.5 million represent a combination of Regulatory Fees and Licenses, Bail Bond Premiums, Federal Grant, and Statutorily Dedicated funds used by the department as its operating source. The total collections for the Insurance Fraud Assessment is divided between the Department of Public Safety (75%), the Department of Justice (15%), and the Department of Insurance (10%).

OFFICE OF MANAGEMENT AND FINANCE

Louisiana Department of Insurance  
Statement of Revenues and Expenditures  
Fiscal Year Ending June 30, 2000

TABLE 6

REVENUES:	
Insurance Premium Tax	\$102,970,429
Pension Fund Assessments	31,969,223
Regulatory Fees and Licenses	19,911,874
Insurance Fraud Assessment	1,141,999
Bail Bond Assessment	975,293
HIPAA	320,861
HIPAA -- Carry forward from FY1999	94,243
Federal Grant (SHIIP)	206,897
Income Not Available	18,451
<b>Total</b>	<b>\$157,609,270</b>
EXPENDITURES:	
Personal Services	\$11,171,369
Travel	464,300
Operating Services	1,865,134
Supplies	188,599
Professional Services	1,798,059
Other Charges	1,085,040
Capital Outlay	1,060,692
Major Repairs	19,185
Interagency Transfers	787,501
<b>Total</b>	<b>\$18,439,879</b>
TRANSFER OUT:	
General Fund	\$102,988,880
Reversion to General Fund	3,078,225
Municipal Police Ret./Fire Fighters Ret./Sheriffs' Pension & Relief Fund	30,973,642
Municipal Fire & Police Civil Service	995,581
Fraud Assessment:	
Department of Public Safety	856,499
Department of Justice	171,300
<b>Total</b>	<b>\$139,064,127</b>
FUNDS CARRIED FORWARD:	
Federal Grant (SHIIP)	\$3,632
HIPAA	17,432
Insurance Fraud Assessment-Department of Insurance	84,200
<b>Total</b>	<b>\$105,264</b>

OFFICE OF MANAGEMENT AND FINANCE

### Human Resource Division

The Human Resource Division is responsible for all personnel-related matters including:

- Employee benefits (i.e., insurance, workers' compensation, unemployment compensation, retirement plan)
- Recruitment, selection and placement of all employee classifications and evaluations (i.e., job descriptions, job evaluations, factor analyses)
- Employee relations (i.e., grievances, employee counseling, EEO employee assistance program, drug testing)
- Affirmative action, performance planning and review system, safety, discipline and wage & salary administration

In addition, the Human Resource Division is responsible for insuring compliance with Civil Service Rules and Regulations, as well as relative state and federal laws, such as Fair Labor Standards Act (FLSA), Family Medical Leave Act (FMLA) and Americans with Disabilities Act (ADA).

In FY2000, the Human Resource Division processed more than **1,491** separate personnel actions: **57** were promotional opportunities, **7** were retirements and approximately **274** were the result of a job study/reallocation.



# **OFFICE OF INSURANCE RATING**

**RATE AND RULE REVIEW**

**ACTUARIAL DEPARTMENT**

**AGENDA   ADD-ONS**

**ORDER TO SHOW CAUSE**

**AUTOMOBILE AND GENERAL LIABILITY AUDITING**

**EXPERIENCE RATING DEPARTMENT**

**LIRC ASSESSMENT**

**COUNCIL ON AUTOMOBILE INSURANCE  
RATES AND ENFORCEMENT**

---

**The Office of Insurance Rating reviews all rate and rule filings to ensure that Louisiana's rates are not excessive, inadequate, or discriminatory.**

**The Council on Automobile Insurance Rates and Enforcement (CAIRE) was created to study automobile insurance rates and the effects of law enforcement to lower rates.**





OFFICE OF INSURANCE RATING

The Office of the Insurance Rating provides support to the Louisiana Insurance Rating Commission (LIRC). The Office of Insurance Rating is part of the Department’s Property and Casualty Division.

**The LIRC** as defined by R.S.22§1401 through §1448 consists of six members appointed by the Governor and the Commissioner of Insurance by virtue of his elected position. The Commissioner acts as chairman at each monthly meeting. The six appointed members serve concurrently with the Governor’s term and must be reaffirmed every two years by the Senate.

Louisiana is a “prior approval” state, meaning companies cannot change their property and casualty (P & C) rates and rules without first getting the Insurance Rating Commission’s approval. The purpose of the LIRC is to ensure that all P & C rates and rules for admitted carriers are not excessive, inadequate, or unfairly discriminatory. This is accomplished through:

- 1. A monthly review of all initial rate and rule programs and all proposed rate and rule changes.
- 2. Actuarial review of selected rate and rule filings.
- 3. Audit of Commercial Automobile and General Liability policies.
- 4. Issuance of experience rating modifiers.
- 5. Generation of revenue through assessment.

RATE AND RULE REVIEW

The LIRC meets every third Wednesday of the month. The cutoff date for the LIRC agenda is the first Wednesday of each month at noon. At the monthly meeting, the LIRC, by majority vote, will approve, defer or disapprove a rate/rule filing. Tables 7, 8 and 9 summarize LIRC filing volume by year.

Table 7 shows the total number of filings reviewed by the LIRC.

TABLE 7

Number of Rate/Rule Filings Reviewed	
Fiscal Year	Total Number of Filings
07-01-1999 to 06-30-2000	1,926
07-01-1998 to 06-30-1999	2,556
07-01-1997 to 06-30-1998	2,327

OFFICE OF INSURANCE RATING

The volume of insurance business for which the LIRC has oversight is displayed in Table 8. (At the time of publication, only 1999 experience was available).

LOUISIANA STATE DEPARTMENT OF INSURANCE EXHIBIT OF UNDERWRITING GAINS AND LOSSES BY LINES OF BUSINESS

TABLE 8

Direct Business in the State of Louisiana Calendar Year 1999					
Line Of Business	Premiums Written	Loss Adjustment Expenses (LAE)	Underwriting Expenses	Gain From Underwriting	Losses & Expenses % Of DEP
Fire	77,277,163	72,336,187	26,941,618	-22,224,824	128.84
Allied Lines	62,826,813	35,784,152	19,097,768	13,365,014	80.42
Farmowners Multi-Peril (M/P)	15,910,350	5,206,339	1,822,089	-1,584,919	129.12
Homeowners M/P	584,157,187	329,058,421	146,991,717	105,130,089	81.91
Commercial M/P Fire	152,404,663	123,735,829	51,048,426	-27,754,952	118.88
Comm. M/P Liability	113,708,667	85,932,912	40,624,255	-8,701,672	107.38
Inland Marine	138,087,934	86,661,607	48,373,831	-4,805,857	103.69
Financial Guaranty	15,132,602	-685,194	3,190,767	12,067,434	17.19
Medical Malpractice	60,213,584	49,623,894	12,358,445	-624,276	101.02
Earthquake	2,173,928	271,719	470,456	767,270	49.17
Workers' Compensation	490,793,489	324,256,376	115,169,682	57,782,236	88.38
Liability Other Than Auto	233,904,047	292,223,665	57,446,109	-128,622,418	158.14
Product Liability	22,504,621	33,318,629	4,032,910	-7,132,759	123.60
Private Passenger Auto Liability	1,244,121,153	1,447,670,285	25,624,227	-481,743,045	139.34
Comm. Auto Liability	246,592,270	325,785,802	58,540,792	-135,607,497	154.52
Private Passenger Physical Damage	840,470,890	618,642,463	187,152,075	15,384,137	98.13
Commercial Auto Physical Damage	68,060,992	48,337,904	19,677,779	-433,733	100.64
Fidelity	7,860,966	3,143,183	3,477,842	1,738,573	79.20
Surety	44,107,405	36,617,506	22,980,935	-16,345,186	137.79
Glass	15,862	108,922	5,629	-95,237	593.10
Burglary & Theft	1,193,350	353,380	395,227	427,037	63.68
Boiler & Machinery	11,643,121	4,249,053	3,900,197	3,889,962	67.69
Credit	6,457,604	1,518,191	3,219,292	1,660,793	74.04
Mortgage Guaranty	24,926,124	8,323,824	5,208,878	12,258,802	52.47
Title	54,396, 606	3,564,747	38,089,914	12,000,679	77.63
Miscellaneous	6,029,564	3,178,862	3,064,700	-1,140,234	122.34
TOTALS	4,524,970,955	3,939,394,967	1,131,905,560	-600,344,583	113.43

**OFFICE OF INSURANCE RATING**

The LIRC may approve a proposed rate and rule revision as submitted. If the rate request is not found to be actuarially justified, the LIRC can amend the requested percentage change. The company has 14 days to accept or reject the LIRC amended percentage change.

The LIRC can defer a filing, pending further study or pending receipt of the company’s response to any questions generated by the LIRC.

If actuarial data does not support the proposed rate and rule change, or if the LIRC finds the proposed rate and rule not to be in the best interest of the public, the LIRC may vote to disapprove the rate and rule revision. This action means the rate and rule revision cannot be implemented.

A company can request that the LIRC reconsider any action taken in regard to the company’s rate and rule filing.

Table 9 shows the number of initial filings reviewed by the LIRC. An initial filing is one filed by a company in Louisiana for the first time.

TABLE 9

Number of Initial Rate/Rule Filings Reviewed	
Fiscal Year	Total Number of Filings
07-01-1999 to 06-30-2000	396
07-01-1998 to 06-30-1999	327
07-01-1997 to 06-30-1998	222

**ACTUARIAL SERVICES DEPARTMENT**

The Actuarial Services Department (a division of the Office of Financial Solvency) reviews most rate filings and many rule filings. A written actuarial recommendation is provided by the LIRC for all rate filings which involve Louisiana written premiums of at least \$250,000. If other rate and rule filings are found to contain unresolved actuarial issues or result in amended provisions, a written actuarial recommendation is also provided to the LIRC.

Actuarial review may result in a company’s filing being amended to a lesser or greater percentage change. The final action on such revisions to a filing lies solely with the LIRC.

OFFICE OF INSURANCE RATING

Table 10 represents actions taken by the LIRC directly as a result of actuarial recommendations. In FY2000, the LIRC approved rate changes that had a market impact of **-0.66%**.

TABLE 10

Rate Filing Impact 3-Year History					
1999 – 2000					
	Number Filings	Percentage Of Impact	Requested Dollar Impact	Approved Dollar Impact	Savings Dollar
Disapprovals	128	26.90%	26,538	0	26,538
Approvals	295	75.20%	-25,396	-30,661	5,265
<i>Amendments</i>	281	71.90%	31,514	4,941	26,573
<i>All Other Approvals</i>	14	3.30%	56,910	-25,720	21,308
<b>Total</b>	<b>427</b>	<b>100.00%</b>	<b>2,879</b>	<b>-30,661</b>	<b>33,540</b>
1998 – 1999					
	Number Filings	Percentage Of Impact	Requested Dollar Impact	Approved Dollar Impact	Savings Dollar
Disapprovals	116	20.28%	12,728	0	12,728
Approvals	456	79.72%	-22,778	-27,109	4,330
<i>Amendments</i>	13	2.27%	-38,505	-27,109	-11,396
<i>All Other Approvals</i>	443	77.45%	15,726	0	15,726
<b>Total</b>	<b>572</b>	<b>100.00%</b>	<b>-10,050</b>	<b>-27,109</b>	<b>17,059</b>
1997 – 1998					
	Number Filings	Percentage Of Impact	Requested Dollar Impact	Approved Dollar Impact	Savings Dollar
Disapprovals	87	15.59%	105,304	0	105,304
Approvals	471	84.41%	-102,877	-101,553	-1,324
<i>Amendments</i>	15	2.69%	9,653	10,977	-1,324
<i>All Other Approvals</i>	456	81.72%	-112,531	-112,531	0
<b>Total</b>	<b>558</b>	<b>100.00%</b>	<b>2,427</b>	<b>-101,553</b>	<b>103,980</b>

**AGENDA ITEMS ADDED AFTER CUT-OFF DATE**

There may be some cases where a filing is not received by the LIRC’s agenda cut-off date. These are referred to as “add-ons”. In this case, if there is a unanimous vote by the LIRC to add this item to the current agenda, it will be placed at the end of the regular order of agenda items under review for that month. It is the intent of the LIRC to keep add-ons to a minimum.

Table 11 displays the number of add-ons reviewed by the LIRC.

TABLE 11

Agenda Add-Ons	
Fiscal Year	Total Number of Add-Ons
07-01-1999 to 06-30-2000	3
07-01-1998 to 06-30-1999*	104
07-01-1997 to 06-30-1998*	57

**\* Includes Add-Ons resulting from Omnibus Premium Reduction Act of 1997**

OFFICE OF INSURANCE RATING

ORDER TO SHOW CAUSE

If a company fails to respond to a request for information or corrections to an approved insurance program from any division of the LIRC within a 120 day time-frame, the LIRC may issue an Order to Show Cause. This order directs a company to remedy the cited concern within 10 days or run the risk of being fined up to a maximum of \$25,000 per offense. This action is authorized in accordance with R.S.22§1447.

Table 12 displays the number of orders to show cause issued by the LIRC.  
TABLE 12

Order To Show Cause		
Fiscal Year	Number	Fines Issued
07-01-1999 to 06-30-2000	20	\$5,000
07-01-1998 to 06-30-1999	217	\$201,870
07-01-1997 to 06-30-1998	0	\$0

In 1995, legislation was enacted requiring workers' compensation group self-insurance funds to file rates and rules with the Department of Insurance for approval. The Commissioner of Insurance delegated review and action authority to the Louisiana Insurance Rating Commission. Actuarial staff reviews these filings for rate adequacy and statutory compliance and recommends a course of action to the Deputy Commissioner/LIRC.

Table 13 summarizes activities on workers' compensation group self-insured funds.  
TABLE 13

Number Of Group Self-Insurance Fund Rate/Rule Filings Reviewed			
Fiscal Year	Number of Filings		
	Approved	Disapproved	Withdrawn
07-01-1999 to 06-30-2000	6	0	0
07-01-1998 to 06-30-1999	4	0	0
07-01-1997 to 06-30-1998	5	0	1

OFFICE OF INSURANCE RATING

**AUTOMOBILE AND GENERAL LIABILITY AUDITING**

Another responsibility of the LIRC is the auditing of all Commercial Automobile and Commercial General Liability policies issued in the state of Louisiana. For most of the fiscal year ending 06-30-00, it is the obligation of all admitted property and casualty companies to furnish copies of these policies for auditing purposes. The auditing function ensures that the proper rate and rules are being utilized when a commercial policy is written.

On April 5, 2000, the Automobile and General Liability Auditing Department was reorganized. Auditors were moved to other Department of Insurance Divisions, for example, Consumer Affairs and Market Conduct. At this time, the auditing of commercial automobile and commercial general liability policies went to an “as needed” basis. This means that insurance companies do not need to send the Office of Insurance Rating copies of policies automatically. Companies only needed to send policy information upon request by the department, and the request will often be combined with a consumer affair of market conduct inquiry.

During an audit, if an error is found, the companies are notified via a violation notice issued by either the automobile or the general liability department. This violation indicates the corrections that must be made in order for the policy to be correctly rated.

Private Passenger Auto policies are requested by the LIRC from a company. These policies are audited in the same manner as the commercial policies to ensure accuracy.

Table 14 (on the following page) displays the volume of policies audited for FY2000 by month.

OFFICE OF INSURANCE RATING

TABLE 14

Audits Completed For Automobile and General Liability FY2000							
Month	Audited Policies	VIO Issued	Endors	VIO Endors	Cancel	VIO Cancel	Total
July	4,702	358	3,381	136	342	4	8,923
August	6,139	532	3,235	63	104	3	10,076
September	2,975	278	2,076	76	220	2	5,627
October	4,350	251	1,961	55	118	2	6,737
November	4,258	314	1,690	94	120	2	6,585
December	5,083	321	2,110	40	236	0	7,790
January	5,122	287	1,773	6	197	0	7,385
February	4,126	276	1,723	11	81	0	6,359
March	0	0	0	0	0	0	0
April	0	0	0	0	0	0	0
May	0	0	0	0	0	0	0
June	0	0	0	0	0	0	0
Totals	36,755	2,617	17,949	481	1,418	13	59,482

COLUMN DEFINITIONS:

1. Audited Policies:

a count of audited insurance policies.
2. VIO Issued:

a count of audited policies where an error was found and a violation notice was mailed to the company and/or agent indicating needed corrections.
3. Endors:

a count of audited policy endorsements where the endorsement could result in an additional or returned premium.
4. VIO Endors:

a count of audited endorsements found where errors were found and a violation notice was issued to the company and/or agent indicating needed corrections.
5. Cancel:

a count of policy cancellation notices to be audited.
6. VIO Cancel:

a count of policy cancellation notices (e.g., CANCEL) where errors were found and a violation notice is issued to the company and/or agent indicating needed corrections.
7. Total:

sum of all audit categories, including those not listed.



OFFICE OF INSURANCE RATING

EXPERIENCE RATING DEPARTMENT

The issuance of experience rating modifiers applicable to Commercial Automobile and Commercial General Liability policies is another function of the LIRC. An insured which qualifies for either automobile or general liability experience rating is issued a modifier on an annual basis.

The modifier is based on an individual's premium experience and loss history. This modifier is used to adjust the premium paid by an insured. If a credit modifier is issued, a policyholder will pay lower than manual premiums, whereas a debit modifier will result in a higher than manual premium.

Table 15 displays the volume of experience rating modifiers issued by month.

TABLE 15

Experience Rating Modifiers Issued For Commercial Automobile And General Liability			
Month	Automobile Liability	General Liability	Total
July	244	119	405
August	159	124	283
September	136	96	232
October	200	105	305
November	154	107	493
December	110	95	205
January	193	99	292
February	145	114	259
March	146	140	286
April	131	100	231
May	242	140	382
June	171	103	274
Total	2,031	1,342	3,647

OFFICE OF INSURANCE RATING

**LIRC ASSESSMENT**

Each year the LIRC collects an assessment fee based on the premiums written by all admitted property and casualty companies who conduct business in the state of Louisiana. This assessment is based on the premiums written from January 1 through December 31 of the prior calendar year. For the 1999 assessment, the premiums written in 1998 were used to determine the amount owed by each property and casualty company.

The total **LIRC assessment was 0.01 in 1999**. The LIRC collected assessment revenue in the amount of **\$45,278,488** on approximately **\$4,527,848,824** in Louisiana property and casualty assessable written premiums.

The LIRC’s allocated portion was approximately **\$10,408,902**. All collected revenue was forwarded to the State’s General Fund.

In accordance with R.S.22§1419.A, the assessment is distributed as follows:

Municipal Police Retirement System	<b>0.0040</b>
Sheriffs’ Pension Relief Fund	<b>0.0010</b>
Fire Fighters’ Retirement System	<b>0.0020</b>
LIRC	<b>0.0028</b>
<u>Municipal Police &amp; Fire Civil Service</u>	<b><u>0.0002</u></b>
<b>Total</b>	<b>0.0100</b>

The amounts shown for the Municipal Police Retirement System, the Sheriffs’ Pension Relief Fund, the Fire Fighters’ Retirement System and the Municipal Police and Fire Civil Service are constant from year to year.

**OFFICE OF INSURANCE RATING**

**COUNCIL ON AUTOMOBILE INSURANCE RATES  
AND ENFORCEMENT**

**Legislative Background**

Following the 1997 legislative session, Governor Foster signed into law Act 1433 creating the Council on Automobile Insurance Rates and Enforcement (C.A.I.R.E. Council). The C.A.I.R.E. Council serves as a research group that reviews the enforcement of laws that affect automobile insurance rates and then reports the results to the Governor, the Commissioner of Insurance and the Louisiana Legislature.

**Purpose**

C.A.I.R.E. studies the effectiveness of law enforcement and implementation of programs aimed at enforcement affecting automobile insurance rates. C.A.I.R.E. reviews a number of highway safety issues including, but not limited to, DWI Laws, uninsured motorists and the enforcement of Louisiana’s compulsory insurance law, seat belt usage, automobile theft, automobile insurance fraud, and the different events that can impact an automobile insurance claim resulting from an automobile accident.

C.A.I.R.E. holds an average of six public meetings per year. During these meetings the members of the Council, staff and any interested parties hear testimony concerning a number of issues that affect automobile insurance rates either directly or indirectly. A newsletter, *The Rate Reducer*, is published by the Council.

C.A.I.R.E. also submits an annual report to the Governor, Commissioner of Insurance and legislature on all of the matters that have been researched over the past year. The annual report typically discusses the strengths and weaknesses of our criminal justice system in enforcement of Louisiana’s traffic and highway safety laws. The report also includes statistics concerning the number of vehicles which have been impounded for no proof of automobile insurance, Louisiana drunk driving statistics, seat belt usage statistics, automobile insurance fraud, driver violation point system, railroad safety, motorcycle safety and mediation. The report also includes recommendations to the legislature concerning those laws that affect automobile insurance rates.

OFFICE OF INSURANCE RATING

**Membership of the C.A.I.R.E. Council**

The 16-member Council is composed of various members of law enforcement and state officials, including the Governor's Office, Louisiana State Police, Attorney General's Office, Louisiana District Attorney's Association, Louisiana Insurance Rating Commission, Louisiana Sheriff's Association, Louisiana Association of Chiefs of Police, Louisiana Highway Safety Commission, Senate and House of Representatives Insurance Committees, and the Department of Public Safety. The Commissioner of Insurance serves as chairman.

**Key Issues Addressed During 1999-2000 Study**

Throughout the past year, C.A.I.R.E. discussed the following issues at their meetings:

- Automobile Insurance Verification
- DWI Checkpoints
- DWI Cameras
- Insurance Fraud
- Child Safety Seats
- Third Offense DWI - Seizure and Sale of Vehicle
- Driver Point Safety
- Utilization of the *Intoxilizer 5000*

C.A.I.R.E. actively supports a number of highway safety public awareness campaigns in order to raise public knowledge of the impact automobile crashes can have on insurance premiums, and in an effort to reduce automobile insurance rates.

The C.A.I.R.E. staff also works with the following groups on an ongoing basis: the Louisiana Highway Safety Commission, Mothers Against Drunk Driving, the Louisiana Alliance to Prevent Underage Drinking, and the Southeastern Louisiana DWI task force (SELA), of which a C.A.I.R.E. staff member is co-chairman.

# **OFFICE OF FINANCIAL SOLVENCY**

**FINANCIAL EXAMINATIONS AND ANALYSIS DIVISION**

**ACTUARIAL DIVISION**

**ADMINISTRATIVE SERVICES DIVISION**

**MARKET CONDUCT DIVISION**

---

**The Office of Financial Solvency examines and monitors  
the financial condition of all insurance companies  
licensed in Louisiana, examines and monitors  
market conduct activities of all insurers doing business  
in Louisiana to assure fairness to policyholders.**



# OFFICE OF FINANCIAL SOLVENCY

The Office of Financial Solvency consists of four divisions:

- Financial Examinations and Analysis
- Actuarial Division
- Administrative Services Division
- Market Conduct Division

These divisions work together to examine and monitor the financial condition and market conduct activities of all insurers approved to conduct the business of insurance in Louisiana. The type of regulated insurer varies and includes Louisiana domiciled (Domestic), out of state (Foreign) and out of country (Alien) insurers. These companies may operate as life, health, property and casualty, health maintenance organizations, surplus lines, self-insurance funds (primarily workers’ compensation insurance), vehicle mechanical breakdown companies and automobile clubs.

This office is staffed primarily by accounting and actuarial professionals who review the financial condition of insurers for the protection of the policyholders and taxpayers of Louisiana.

## FINANCIAL EXAMINATIONS AND ANALYSIS DIVISION

This division is divided into two units: the Financial Examinations Unit and the Financial Analysis Unit. The Financial Examinations Unit performs on-site examinations, at least once every five years, as required by statute, of the financial, corporate and marketing practices of Louisiana domiciled insurers under the provisions and requirements of the Louisiana Insurance Code. Examinations may entail a review of all operations of insurers and their related transactions with affiliates, or be confined to limited or targeted areas relating to the insurers’ activities.

The Financial Analysis Unit analyzes the periodic financial statements and other required filings of licensed insurers. The activities of the analysts are important in the early detection of financially troubled insurers. During the course of the year, the analyst will review consumer complaint data, financial statements, holding company registration statements, affiliated transactions, investments and other items. In addition, this unit performs financial reviews of insurance company acquisition transactions and insurance company licensing applications and mergers.

**OFFICE OF FINANCIAL SOLVENCY**

**ACTUARIAL DIVISION**

The Actuarial Division is composed of two units: the Life and Health Actuarial Unit and the Property and Casualty Actuarial Unit. The Actuarial Division provides actuarial analysis of all insurance legislation.

The Life and Health Actuarial Unit provides actuarial expertise in the determination of the adequacy of the reserve liabilities established by life and health insurers and health maintenance organizations.

The Property and Casualty Actuarial Unit provides similar actuarial and reinsurance expertise to the examination and analysis of property and casualty insurers, title insurers, vehicle mechanical breakdown companies and self-insurance funds.

**ADMINISTRATIVE SERVICES DIVISION**

The Administrative Services Division approves, validates and maintains the recordation of securities pledged to the Commissioner of Insurance as deposits required by the Louisiana Insurance Code for the protection of Louisiana policyholders. In addition, this division maintains files of current corporate and financial information, which is also available to the public.

This division also collects, inputs and compiles regulatory, statistical and financial information on all companies operating in the state of Louisiana through an on-line data system coordinated with the National Association of Insurance Commissioners.

**MARKET CONDUCT DIVISION**

The Market Conduct Division monitors the sale, marketing, underwriting, policy, issuance and claims administration activities of insurance companies and producers to determine whether the acts and/or practices of insurance companies are unfair and/or deceptive to policyholders and/or beneficiaries and to determine if the practices are in violation of Louisiana insurance laws or regulations.

In addition to halting any illegal, unfair or deceptive practices, the Market Conduct Division also seeks sanctions or penalties against insurers and agents for these practices.



# **OFFICE OF LICENSING AND COMPLIANCE**

**LICENSING DIVISION**

**LIFE AND ANNUITY DIVISION**

**PROPERTY AND CASUALTY DIVISION**

**ANNUAL CONSUMER COMPLAINT REPORT**

---

**The Office of Licensing and Compliance regulates  
the licensing of individuals, partnerships  
and corporations engaged in the insurance  
business in Louisiana while protecting  
consumers against unfair trade practices.**



# OFFICE OF LICENSING AND COMPLIANCE

The Office of Licensing and Compliance is comprised of three divisions:

- Licensing
- Life & Annuity
- Property & Casualty

## LICENSING DIVISION

### AGENT LICENSING

#### Purpose

Agent Licensing licenses insurance agents, agencies, brokers, solicitors, managing general agents, reinsurance intermediary brokers and managers and surplus lines brokers as mandated by the insurance code. The division provides necessary information and forms to prospective applicants for licenses. This includes:

- Examination of applications to determine that applicants meet all requirements so that only honest and qualified persons are licensed to serve the public. Recommendations are made to approve or disapprove applicants based upon such factors as criminal history, lawsuits, bankruptcy and disciplinary actions in this or other states.
- Distribution of forms, instructions and guidance to potential applicants.
- Response to inquiries from the public regarding the status of agents, agencies, brokers, solicitors, managing general agents, reinsurance intermediary brokers and managers and surplus lines brokers.
- Oversight of the agent testing program.
- Assurance that prelicensing and continuing education courses contain appropriate information for instructional purposes.

#### Implementation

- Monitoring all agents, agencies, brokers and solicitors negotiating contracts of insurance to assure proper licensing and appointments by licensed insurers.

**OFFICE OF LICENSING AND COMPLIANCE**

- Recording of regulatory actions against agents, agencies, brokers and solicitors whose licenses have been revoked, suspended, fined or subject to other administrative action. This ensures that additional licenses and appointments will not be issued until such time as the licensee is eligible for reinstatement or renewal.
- Reviewing of examination questions, prelicensing and continuing education provider applications and course content to assure that licensees are well prepared and knowledgeable in insurance.
- Maintaining of agent databases for use by other State Insurance Departments, courts and law enforcement agencies. The databases are public record, available to consumers.

TABLE 16

Activities of Agent Licensing in FY2000	
Resident Life, Health & Accident Licenses Issued	3,370
Non-Resident Life, Health & Accident Licenses Issued	2,798
Resident Property & Casualty Licenses Issued	1,803
Non-Resident Property & Casualty Licenses Issued	4,561
Resident Property & Casualty Brokers Licenses Issued	6
Non-Resident Property & Casualty Brokers Licenses Issued	232
Resident Property & Casualty Solicitors Licenses Issued	288
Company Appointments Processed	271,197
Life, Health & Accident Renewal Applications Processed	28,889
Number of Insurance Exams Monitored	6,371
Continuing Education Course Applications Approved	1,015
Telephone Calls Handled	116,945

**OFFICE OF LICENSING AND COMPLIANCE**

**COMPANY LICENSING**

**Purpose**

Company Licensing coordinates the licensing of insurance companies and other entities that require licensing and/or registration as mandated by the insurance code. This includes:

- Distribution of forms, instructions and guidance to potential applicants.
- Response to inquiries from the public regarding the status of licensed and registered companies.
- Review of applications for completeness and advising the applicants of omitted or additional information required for completion.
- Coordination of the review of applications with other divisions in the Department to ensure the fastest response possible and to minimize redundant requests for information.
- Recordation of changes to records of insurance companies such as corporate structure, name, additional lines of business, mergers and acquisitions, issuance of certificates of compliance, dissolution of domestic insurance companies and withdrawal of foreign insurance companies.

**Implementation**

- Processing applications in a manner as timely and efficient as possible in order to provide citizens the widest selection possible of financially stable insurers from which to select coverage.
- Evaluating of the application process to make the process as uncomplicated as possible, while ensuring compliance with applicable insurance laws as they change and to adopt changes necessitated by the changing insurance industry.
- Evaluating of current statutes and suggestion of amendments to existing laws for the continued betterment of the overall process.
- Maintaining of database for use by all divisions of the Department. The records are available to courts and law enforcement agencies. The databases are public record, available to consumers to help determine which company to purchase insurance through.

**OFFICE OF LICENSING AND COMPLIANCE**

TABLE 17

Activities of Company Licensing in FY2000	
Foreign/Alien Applications Received	12
Foreign/Alien Applications Approved	9
Foreign/Alien Applications Disapproved	2
Foreign/Alien Surplus Lines Applications Received	3
Foreign/Alien Surplus Lines Applications Approved	2
Domestic Applications Received	1
Domestic Applications Approved	0
Vehicle Mechanical Breakdown Applications Received	1
Vehicle Mechanical Breakdown Applications Approved	1
Property Residual Value Insurer Applications Received	1
Property Residual Value Insurer Applications Approved	1
Health Maintenance Organization Applications Received	0
Health Maintenance Organization Applications Approved	0
Health Maintenance Organization Applications Disapproved	0
Automobile Service Club Applications Received	0
Automobile Service Club Applications Approved	0
Automobile Service Club Applications Disapproved	0
Third Party Administrator Applications Received	21
Third Party Administrator Applications Approved	31
Third Party Administrator Applications Disapproved	0
Risk Purchasing Group Applications Received	27
Risk Purchasing Group Applications Approved	33
Risk Purchasing Group Applications Disapproved	0
Risk Retention Group Applications Received	0
Viatical Settlement Broker Applications Received	1
Viatical Settlement Broker Applications Approved	0
Viatical Settlement Broker Applications Disapproved	0
Viatical Settlement Provider Applications Received	0
Viatical Settlement Provider Applications Approved	0
Viatical Settlement Provider Applications Disapproved	0
Amendments to Certificate of Authority Applications Received	6
Amendments to Certificate of Authority Applications Approved	1
Domestic Acquisition Applications Received	6
Domestic Acquisition Applications Approved	4
Dental Referral Plan Applications Received	0
Dental Referral Plan Applications Approved	0
Certificate of Compliance Requests Received	82
Certificate of Compliance Requests Processed	105

**OFFICE OF LICENSING AND COMPLIANCE**

**LIFE AND ANNUITY DIVISION**

**Purpose**

The Life and Annuity Division investigates consumer complaints involving underwriting, claim handling, policyholder services, and marketing practices of life insurers and producers doing business in Louisiana. This division also reviews life, annuity and long term care contract forms submitted by insurers for compliance with applicable statutes, rules and regulations. Additionally, the Life and Annuity Division provides information, advice and assistance to consumers and industry representatives by responding to inquiries, making public presentations and supplying informational pamphlets and brochures. This includes:

- Resolution of policyholder grievances regarding life insurance and annuity coverage, and policyholders’ legal rights.
- Enforcement of industry compliance with consumer protection regulations.
- Review of life insurance and annuity contract forms, and Long Term Care contract forms for compliance with applicable statutory requirements.
- Education of the public about insurance coverage, legal rights and ways to avoid future problems.

**Implementation**

- Investigating complaints and other concerns in order to evaluate and properly dispose of violations of the Insurance Code, to obtain resolution of consumer disputes involving claims or refunds and disputes involving issuance or renewal of coverage, and to rule out illegal marketing practices.
- Reviewing life insurance, annuity and long term care contract form filings, and approving or disapproving forms based on compliance or noncompliance with applicable statutes.
- Counseling, advising and providing information to consumers regarding insurance related matters in response to inquiries received by telephone, by letter or in person.
- Disseminating consumer brochures, pamphlets, complaint statistics and providing experienced, knowledgeable speakers offering valuable information on insurance issues and products.

**OFFICE OF LICENSING AND COMPLIANCE**

TABLE 18

Activities of the Life and Annuity Division in FY2000	
Complaints Opened	662
Complaints Closed	846
Life & Annuity Policy Forms Received	5,737
Life & Annuity Policy Forms Approved	5,044
Life & Annuity Policy Forms Disapproved	373
Long-term Care and Medicare Supplement Policy Forms Received*	2,147
Long-term Care and Medicare Supplement Policy Forms Approved*	2,451
Long-term Care and Medicare Supplement Policy Forms Disapproved*	420
Telephone Inquires	7,036
Funds Recovered on Behalf of Consumers	\$1,659,903.91

**\* During the month of July 1999, the Life and Annuity Division reviewed Medicare Supplement policy form filings.**

**As of August 1, 1999, the Office of Health Insurance is responsible for reviewing Medicare Supplement policy forms.**



## OFFICE OF LICENSING AND COMPLIANCE

### **PROPERTY AND CASUALTY DIVISION**

#### **Purpose**

The Property and Casualty Division investigates consumer complaints involving underwriting, claim handling, policyholder services, and marketing practices of Property and Casualty insurers and producers doing business in Louisiana. This division also reviews property and casualty contract forms submitted by insurers for compliance with applicable statutes, rules and regulations. Additionally, the Property and Casualty Division provides information, advice and assistance to consumers and industry representatives by responding to inquiries, making public presentations and supplying informational pamphlets and brochures. This includes:

- Resolution of policyholder grievances regarding property and casualty insurance coverage, and policyholders' legal rights.
- Enforcement of industry compliance with consumer protection regulations.
- Review of Property and Casualty insurance contract forms for compliance with applicable statutory requirements.
- Education of the public about insurance coverage, legal rights and how to avoid future problems.

#### **Implementation**

- Investigating complaints and other concerns in order to evaluate and properly dispose of violations of the Insurance Code, to obtain resolution of consumer disputes involving claims or refunds and disputes involving issuance or renewal of coverage, and to rule out illegal marketing practices.
- Counseling, advising and providing information to consumers regarding insurance related matters in response to inquiries received by telephone, by letter or in person.
- Disseminating consumer brochures, pamphlets, complaint statistics and providing experienced, knowledgeable speakers offering valuable information on insurance issues and products.

**OFFICE OF LICENSING AND COMPLIANCE**

TABLE 19

Activities of the Property and Casualty Division in FY2000	
Complaints Opened	1,277
Complaints Closed*	1,037
Property & Casualty Policy Forms Reviewed	20,304
Property & Casualty Policy Forms Approved	14,042
Property & Casualty Policy Forms Disapproved	22,495
Telephone Inquiries	33,025
Funds Recovered on Behalf of Consumers*	\$2,601,496.80

**\* Some complaints that were closed and funds recovered during FY2000 were related to complaints filed with the department during previous years.**

**OFFICE OF LICENSING AND COMPLIANCE**

**Annual Consumer Complaint Report**

**Life and Annuity Division**

*LA R.S. 22§1219 Report by the Commissioner*

*The Commissioner of Insurance shall annually submit a report to the Senate and House of Representatives Committees on Insurance relative to complaints received and actions taken pursuant to the provisions of this Part. Such report shall contain information relative to the number of complaints received, and the disposition of same, the amount collected in penalties, the cost of all related proceedings, and such other information as the Commissioner deems pertinent or the Insurance Committees shall request.*

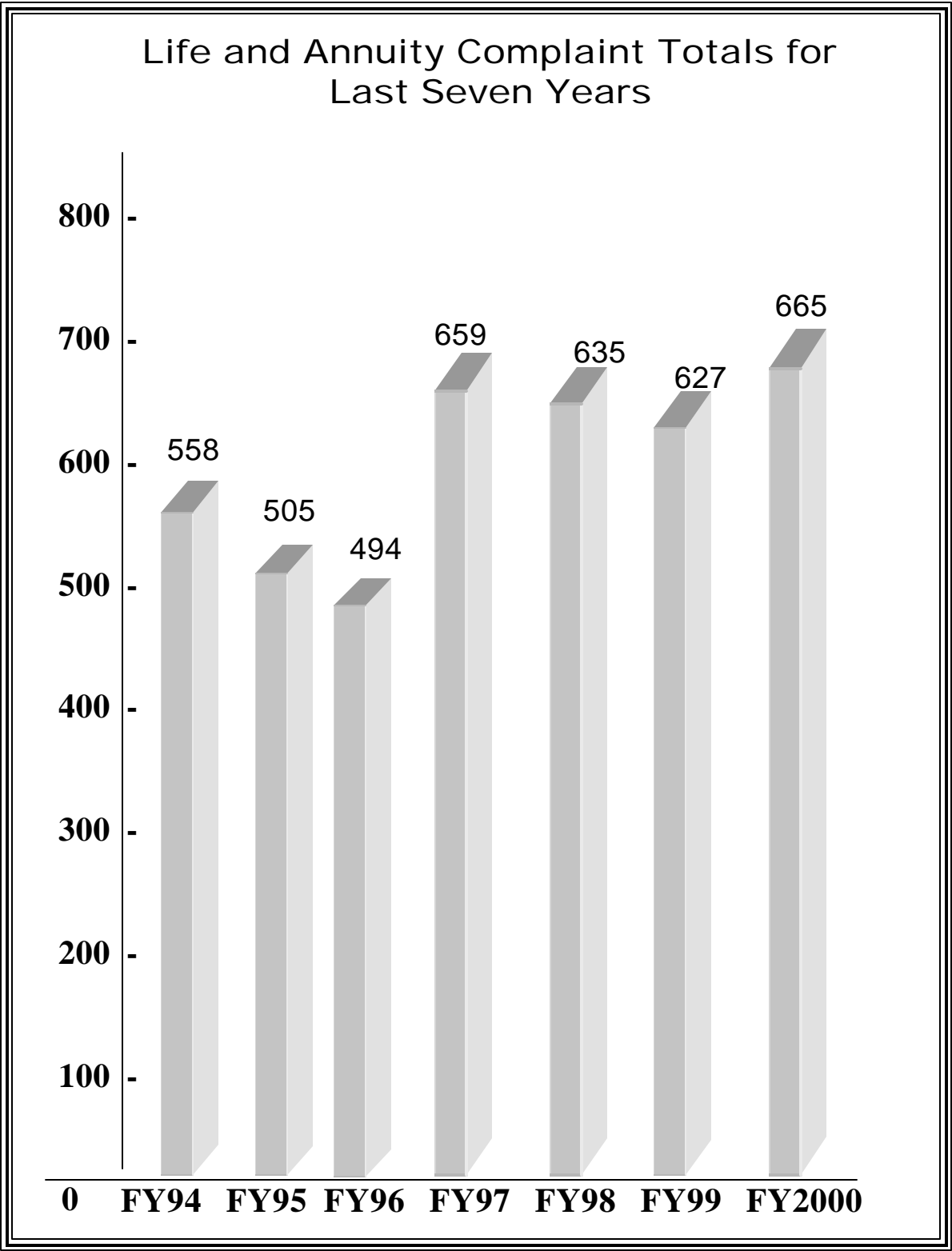
Effective July 1, 1998, the former Office of Licensing and Market Compliance was reorganized to become the Office of Licensing and Compliance. Restructuring of the various divisions resulted in all health complaints being gradually phased out to the Office of Health Insurance. All life insurance and annuity complaints were retained by the Life and Annuity Division, as were open health complaints which were under investigation by examiners assigned to that division.

All life and annuity contract forms, plus Medicare supplement and Long-term Care contract forms, were retained within the Life and Annuity Division, with all other health contract forms being shifted to the Office of Health Insurance. Medicare supplement contract forms were transferred from the Life and Annuity Division to the Office of Health Insurance effective August 1, 1999.

Comparative figures for life and annuity complaints handled in FY2000 were extracted from the Complaint Database. In FY2000, the Life and Annuity Division completed processing of 665 life and annuity complaints, as opposed to 627 in FY1999. The efforts of this Division during FY2000 resulted in reimbursements and claim settlements totaling \$1,659,903.91 being realized by consumers.

**OFFICE OF LICENSING AND COMPLIANCE**

CHART 3



OFFICE OF LICENSING AND COMPLIANCE

TABLE 20

Life and Annuity Complaint Statistics Report Total Complaints Involving Life Insurance and Annuities July 1, 1999 – June 30, 2000				
Coverage Type	Total Number Filed	% Of Total	Closed	Opened
601 Life/Individual	463	69.63	374	89
602 Life/Group	32	4.81	26	6
603 Life/Annuity	63	9.47	45	18
604 Life/Credit	24	3.61	20	4
605 Life/Industrial	51	7.67	44	7
606 Life/Accelerated Benefit	0	---	---	---
607 Variable Annuity	0	---	---	---
608 Variable Life	1	0.15	1	0
609 Variable Life	3	0.45	3	0
610 Burial	7	1.05	3	4
611 Viatical Settlement	0	---	---	---
612 Equity Indexed Annuity	3	0.45	1	2
613 Equity Indexed Life	0	---	---	---
614 Long-term Care*	18	2.71	17	1
623 Prospectus	0	---	---	---
624 Accident & Health/Conversion	0	---	---	---
628 Add'l Insured Endorsement	0	---	---	---
690 Life/Other	0	---	---	---
Totals	665	100%	534	131

\* During FY2000, Long-term Care complaints continued to be assigned to the Life and Annuity Division.

OFFICE OF LICENSING AND COMPLIANCE

**Annual Consumer Complaint Report**

**Property and Casualty Division**

*LA R. S. 22§1219 Report by the Commissioner*

*The Commissioner of Insurance shall annually submit a report to the Senate and House of Representatives Committees on Insurance relative to complaints received and actions taken pursuant to the provisions of this Part. Such report shall contain information relative to the number of complaints received, and the disposition of same, the amount collected in penalties, the cost of all related proceedings, and such other information as the Commissioner deems pertinent or the Insurance Committees shall request.*

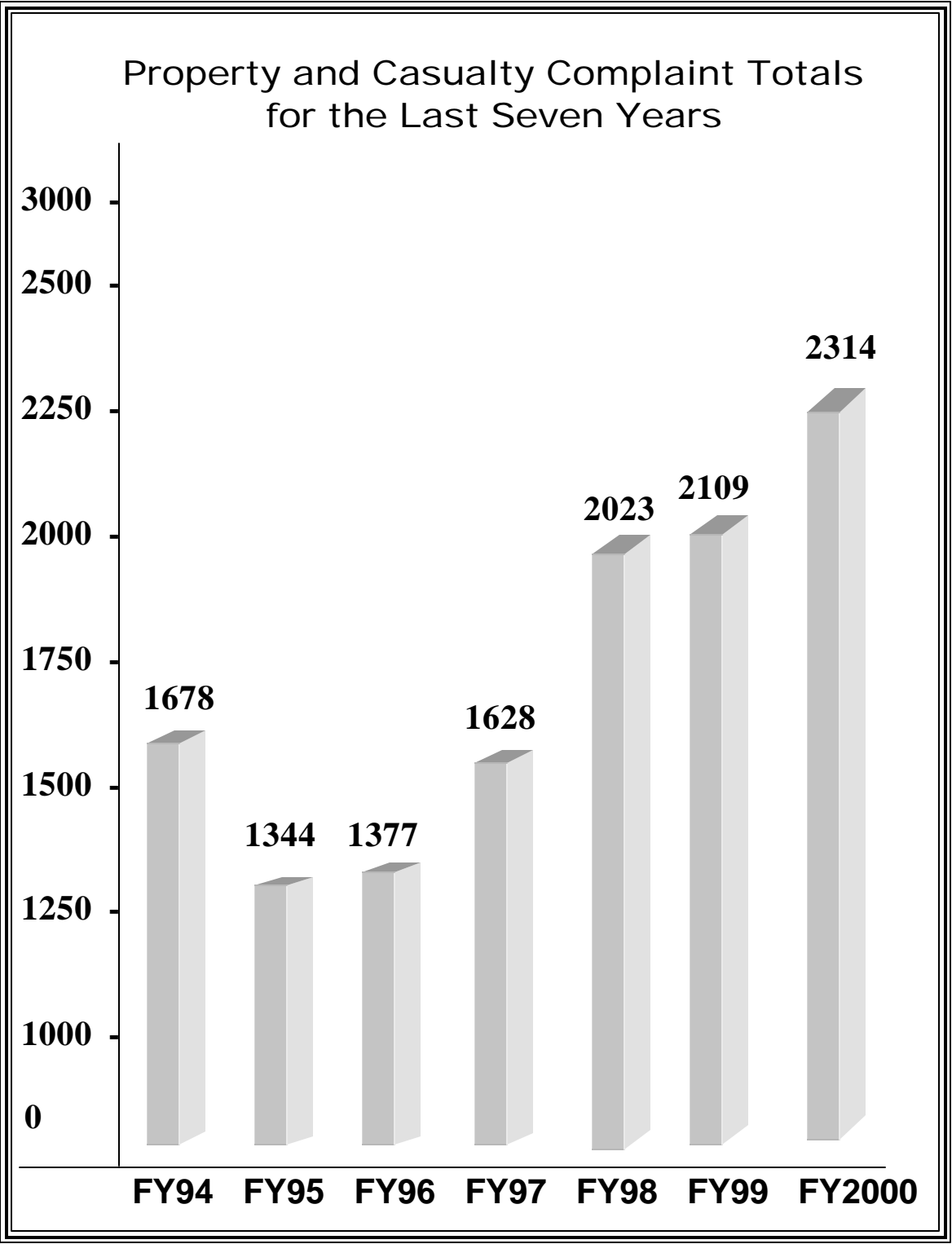
Effective February 22, 2000, the Property & Casualty Division was moved from the Office of Licensing & Compliance to the Office of Insurance Rating.

Comparative figures for Property & Casualty complaints handled in FY2000 were extracted from the Complaint Database. In FY2000, the Property and Casualty Division completed processing of 2,314 Property and Casualty complaints, as opposed to 2,109 in FY1999.

The efforts of this division during FY2000 resulted in **reimbursements and claim settlements totaling \$2,601,496** on behalf of consumers.

**OFFICE OF LICENSING AND COMPLIANCE**

CHART 4



**OFFICE OF LICENSING AND COMPLIANCE**

TABLE 21

Property and Casualty Complaint Statistics Report Total Complaints Involving All Types of Property and Casualty Insurance July 1, 1999 – June 30, 2000				
Coverage Type	Total Number Filed	% Of Total	Closed	Opened
1000 Excess/Stop Loss	1	0.04	1	0
1002 Multicoverage	53	2.29	2	51
301 Auto/Personal	1,515	65.47	723	792
302 Auto/Commercial	25	1.08	10	15
306 Auto/Motor home	4	0.17	1	3
308 Auto/Motorcycle	3	0.13	2	1
309 Auto VMB-Extended Warranty	29	1.25	15	14
390 Auto/Other	8	0.35	4	4
401 Commercial/Fire-Industrial	1	0.04	0	1
402 Commercial/Multi Peril	8	0.35	7	1
403 Commercial/Credit-Property	1	0.04	0	1
404 Commercial/Fire-Allied	1	0.04	0	1
405 Commercial/Business owners	5	0.22	2	3
407 Commercial/Business	20	0.86	8	12
408 Commercial/Property	2	0.09	2	0
490 Commercial/Other	15	0.65	4	11
501 Homeowners	369	15.95	149	220
502 Homeowners/Mobile Home	10	0.43	2	8
503 Homeowners/Renters	1	0.04	1	0
504 Flood	28	1.21	18	10
590 Homeowners/Other	14	0.61	7	7
801 Liability/General	27	1.17	13	14
890 Liability/Other	14	0.61	6	8
901 Miscellaneous/WC/Empl Liab	73	3.15	34	39
902 Miscellaneous/Fid-Sur/Bond	35	1.15	11	24
903 Miscellaneous/Ocean Marine	2	0.09	2	0
904 Miscellaneous/Inland Marine	1	0.04	0	1
905 Miscellaneous/Title	4	0.17	2	2
907 Miscellaneous/Motor Club	1	0.04	0	1
98 Not Applicable	2	0.09	1	1
99 Unknown	20	0.86	3	17
990 Miscellaneous/Other	22	0.95	7	15
<b>Totals</b>	<b>2,314</b>	<b>100%</b>	<b>1,037</b>	<b>1,277</b>



# **OFFICE OF HEALTH INSURANCE**

**LOUISIANA HEALTH CARE COMMISSION**

**QUALITY MANAGEMENT DIVISION**

**SENIOR HEALTH INSURANCE INFORMATION PROGRAM**

**QUALITY ASSURANCE DIVISION**

---

**The Office of Health was created in 1998 to consolidate the regulation of state and federal requirements applicable to commercial and government operated health benefit plans.**

**This Office provides protection to Louisiana consumers, assures continued viability of health benefit plans and determines whether enhancements or modifications are necessary to assure continued compliance.**



OFFICE OF HEALTH INSURANCE

LOUISIANA HEALTH CARE COMMISSION

Legislative Background

On July 14, 1992, the Governor signed into law Act 1068, creating the Louisiana Health Care Commission (L.R.S. 22§9). The Louisiana Health Care Commission (LHCC) serves as a policy and planning board that undertakes comprehensive review of health care issues facing Louisiana.

During the 1995 Regular Session of the Louisiana State Legislature, Act 594 revised and reenacted the authorizing legislation to expand the commission to 38 members and extended its work until June 30, 1999. During the 1997 Regular Session of the Louisiana State Legislature, Act 869 was adopted to increase the size of the commission to 43 members. Finally, during the 1999 Regular Session of the Louisiana State Legislature, Act 446 was passed, increasing the size of the commission to 44 members and transferring the Louisiana Health Care Commission to the Department of Insurance by R.S. 36§686(B).

Purpose

The commission makes recommendations to the Commissioner of Insurance for reform of the health care and health insurance systems in Louisiana, in order to make access to health care more affordable and available for its citizenry. Through a broad perspective, the commission provides the Department of Insurance with recommendations for addressing complex health care issues.

The commission examines the rising costs of health care in the state, including but not limited to, the cost of administrative duplication, the costs associated with excess capacity and duplication of medical services and the costs of medical malpractice and liability. The commission further examines the formation and implementation of insurance pools that better assure citizens the ability to obtain health insurance at affordable costs and encourage employers to obtain health care benefits for their employees by increased bargaining power and economies of scale for better coverage and benefit options at reduced costs. The commission also examines the implementation issues related to national health care reform initiatives.

The commission may conduct public hearings to receive testimony about the availability and affordability of health care in the state. The commission is permitted to receive further information and testimony from regional and national experts on health care access issues. The Commissioner of Insurance also submits to the legislature a yearly report on health care and health insurance, which takes into consideration the recommendations, actions and studies of the commission.

OFFICE OF HEALTH INSURANCE

**Membership of the Louisiana Health Care Commission**

The Louisiana Health Care Commission is composed of a great variety of interests and health care experts, including health care insurers and providers, community leaders, as well as an assortment of consumer interests. Members are also from the governing boards of Louisiana’s state colleges and universities, the Senate and House Insurance Committees, and at-large appointments designated by the Commissioner of Insurance.

**Ad Hoc Committees Initiated and Supported by the Louisiana Health Care Commission in 1999**

**Timely Payment of Claims Ad Hoc Committee**

As a result of Act 1017 (HB 2052) of the 1999 Regular Legislative Session, the Timely Payment of Claims Ad Hoc Committee was formed to assist the Department of Insurance in developing rules and regulations establishing standards for the timely payment of enrollee claims for medical care under health insurance coverage and standards for the coordination of health benefits. This ad hoc committee is composed primarily of LHCC members, as well as other interested parties outside of the commission.

The ad hoc committee met for the first time on February 2, 2000, to promulgate Regulation 74, Payment of Health Coverage Claims. The purpose of this regulation is to implement the statutory requirements of health insurance issuers under Title 22 of the Louisiana Revised Statutes, which establishes the statutory requirements for payment of claims by health insurance issuers serving residents of Louisiana. The Notice of Intent was sent to the Office of the Louisiana State Register on May 30, 2000. The regulation was published in the June 20, 2000, issue of the Louisiana State Register and the Public hearing was held on July 26, 2000.

**Medical Necessity Review Organizations (MNRO) Ad Hoc Committee**

As a result of Act 401 (HB 2083) of the 1999 Regular Legislative Session, the MNRO Ad Hoc Committee was created to assist the Department of Insurance to develop rules and regulations to establish standards for determining the necessity of medical care or services recommended by health care providers. This rule is necessary to establish reasonable requirements for limiting covered services included in a policy or contract of insurance coverage that do not misrepresent the benefits, advantages, conditions or the terms of the policy issued or to be issued based on medical necessity determinations.

This rule is also necessary to establish standards for Medical Necessity Review Organizations seeking licensure under Title 22 of the Louisiana Revised Statutes of 1950. This ad hoc committee is composed primarily of LHCC members, as well as other interested parties outside of the commission. The ad hoc committee will hold its first meeting on August 3, 2000.

OFFICE OF HEALTH INSURANCE

**Subcommittees Formed by the Louisiana Health Care Commission During Its 1999-2000 Study**

During its 1999 - 2000 study, the Louisiana Health Care Commission formed four subcommittees to conduct formal analyses of key health care issues facing Louisiana. These subcommittees are: (1) Subcommittee on the Uninsured, (2) Risk Segmentation and Rating, (3) Pharmaceutical Issues and (4) Legislative Subcommittee.

**Subcommittee on the Uninsured**

In late 1999, the Louisiana Health Care Commission passed an important resolution and formed a standing committee, the “LHCC Subcommittee on the Uninsured,” to address the issue of uninsured citizens of our state, with emphasis on the Louisiana Children’s Health Insurance Program (LaCHIP) and the uninsured population in the small group market. This program provides health coverage to children through Medicaid expansion at an enhanced federal match rate compared to that of the Medicaid program.

The expansion of health coverage to low-income children under LaCHIP has helped to reduce our state’s high uninsured rate. The further expansion of the third phase of this program from 150 to 200 percent of the federal poverty level would continue to reduce the number of uninsured children in our state and provide health coverage to an estimated 22,000 additional children.

The LHCC Subcommittee on the Uninsured focused its study on the opportunities of the LaCHIP program with respect to implementation of the third phase. The subcommittee was created to discuss and compare the feasibility of the expansion of Medicaid for LaCHIP versus the implementation of a private insurance model and was charged with submitting recommendations to the full commission as to how phase three should be implemented under LaCHIP.

The Committee first met in November of 1999 to share statistical information on LaCHIP with the subcommittee to serve as a basis for further study. In the second subcommittee meeting, members discussed a variety of options for expansion coverage from 150 to 200 percent of the federal poverty level, which included a Medicaid expansion up to 200 percent of the FPL (family poverty level), a private insurance model, a program for state employees to use the University Public Hospital System which would have an EPO network within its delivery system, a defined employer contribution approach with State Employees Group Benefits Program with a benefit option that could include the university health network option and a voucher system.

After lengthy discussions regarding the feasibility and time constraints of each option, the LHCC Subcommittee on the Uninsured voted to recommend to the Louisiana Health Care Commission that they support (during the 2000 Fiscal Session of the Legislature) a Medicaid expansion from 150 to 200 percent of the FPL while continuing to study other options (including the private insurance model) and the financial impact of any additional eligibility requirements under LaCHIP.

OFFICE OF HEALTH INSURANCE

This recommendation was approved by the commission and a resolution was submitted in March of 2000 to the Governor, the President of the Senate, the Speaker of the House and the Legislature recommending that the Governor’s Task Force on LaCHIP reconvene and recommend Medicaid expansion for LaCHIP from 150 to 200 percent of the federal poverty level. This resolution further urged the Governor and the Legislature to consider the importance of adequately funding the expansion of LaCHip so as not to affect access of health care and cost shifting to the private sector.

**Pharmaceutical Issues Subcommittee**

This subcommittee was formulated in June 2000 for the purpose of studying the issues of drug formulary regulation and pharmacy benefit managers (PBMs) and how they are currently handled at the state level and to determine if more formal regulatory framework is warranted. Its study will begin during the next fiscal year July 1, 2000 - June 30, 2001. The subcommittee plans to hold an informational public hearing for interested parties to discuss drug formulary regulation and PBMs during its October 2000 meeting. The hearing will provide an opportunity for interested parties to present their views to the Louisiana Health Care Commission with respect to health insures’ use of drug formularies and PBMs and the need for regulating these aspects of health plans.

**Risk Segmentation and Rating Subcommittee**

The Louisiana Department of Insurance, in conjunction with the Louisiana Health Care Commission, recently formed the Risk Segmentation and Rating Subcommittee, to study the classification of the types of health insurance, mandated benefits, portability of the coverage and the current rating laws, focusing on both the individual and small group markets. The first meeting of the subcommittee was held on June 19, 2000. This subcommittee is composed primarily of LHCC members, as well as other interested parties outside of the commission.

The subcommittee will continue to study a number of issues, including rating classes in the individual market, a lifting of the prohibition on exclusionary riders and the current status of the high-risk pool. The objective of this subcommittee is to determine if the current rating laws should be adjusted in order to ensure that the public is given all of the necessary facts to establish the fair market value of policies when purchasing insurance, taking into account their medical history and also any market changes that have taken place.

**Other Key Issues Addressed by the LHCC  
During Its 1999-2000 Study**

- Managed Care Quality Issues
- Confidentiality of Medical Records
- Federal Mandates

OFFICE OF HEALTH INSURANCE

- Coordination of Workers’ Compensation and Health Insurance
- Pilot Programs and Point of Service Coverage
- Clinical Trials for Cancer Treatment and Transplant Coverage
- Marketing of Insurance Over the Internet
- Women’s Issues
- HIPAA Compliance

Several of these issues were presented and debated at the Fifth Annual Health Care Conference hosted by the Department of Insurance in conjunction with the Louisiana Health Care Commission entitled “Successful Solutions: Implementing the Health Reform Legislation of 1999.” This conference was held on August 24, 1999, at the Radisson Hotel and Conference Center in Baton Rouge, Louisiana.

Through this annual public forum, the Louisiana Department of Insurance considers a cross section of perspectives on the health coverage issues facing our state and focuses on the development of solutions to complex problems in the field of health care. In conjunction with the work of the Louisiana Health Care Commission, this annual conference provides the focal point for assessing our success and maintaining our leadership position among the states in the health coverage arena.

**Agenda for 2000 - 2001**

The commission’s current agenda includes the continued review and study of the uninsured population in Louisiana, managed care and patient protections, expansion of low - income programs to provide health coverage to children and their parents, rating in the individual and small group markets, increasing cost in health care and the role of health insurance agents. Additionally, due to the federal government’s increased participation in the provision of health care, we must aggressively focus on those national movements in the provision and payment of health care that have become of utmost importance to consumers.

Under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the Secretary of Health and Human Services was required to promulgate regulations establishing privacy standards if Congress failed to enact legislation by August 21, 1999. As Congress missed its self-imposed deadline, it is projected that these regulations will be issued by the beginning of 2001. These regulations supersede any conflicting state laws but allow states to pass tougher privacy regulations if they so choose. The commission will have to decide how to implement these regulations once they are finalized.

Through the acclaimed annual health care conferences sponsored by the Department of Insurance and the work of the Louisiana Health Care Commission, we can continue to provide a forum for the analysis of major health care issues facing our state and the development of solutions. The public input at our monthly meetings is essential to this process, as is the commission members’ input and expertise. Expansion of this process now includes Internet access, which is designed to increase public awareness of the issues and expand participation to local communities throughout Louisiana. The Department of Insurance will hold its next annual health care conference on January 30, 2001.

OFFICE OF HEALTH INSURANCE

**QUALITY MANAGEMENT DIVISION**

The Quality Management Division administers the operational functions of commercial and government operated health benefit plans in Louisiana and performs annual surveys and audits to determine the appropriate amount of accident and health insurance premiums subject to HIPAA assessment. There are two units responsible for these duties:

- Plan Review and Evaluation
- Policyholder and Provider Affairs

**PLAN REVIEW AND EVALUATION**

**Purpose**

This unit performs detailed analysis and review of health benefit plan filings related to products proposed for marketing and issue to the public. Emphasis is placed upon:

- Compliance with all applicable state and federal laws, rules and regulations.
- Prohibiting any inconsistent, ambiguous or misleading language, text or format.
- Assuring that any exceptions and/or conditions affecting the risk are clearly stated and reasonable.
- Determining that advertising and marketing plans are not deceptive.

**Implementation**

- Approving, disapproving and/or withdrawing prior approval on health benefit plan filings.
- Negotiating corrective action to assure that consumers negatively affected by outdated and improper policy forms are made whole.
- Providing information and technical assistance to insurers, health maintenance organizations and plan administrators.
- Development of general filing and certification requirements in order to provide guidance to the industry and improve the percentage of forms receiving approval of first time filings.



OFFICE OF HEALTH INSURANCE

This unit also assumed the function of determining the amount of accident and health insurance premiums subject to assessment pursuant to LSA-R.S. 22§250.10. Only that portion of health insurance business related to HIPAA regulation is assessable. In the two years since the law was enacted, industry was allowed to independently determine the assessment amount. Due to confusion and inconsistent compliance, it was necessary to amend procedures to assure proper compliance by tying the premiums collected to the policy forms approved. Staff is able to confirm any premiums deemed “excepted” based upon the type of coverage designated for the policy forms and/or by the breakdown of premiums reported on annual financial statements for each insurer.

During FY2000, a survey was performed involving approximately 1,000 insurers authorized to conduct the business of health insurance in the state of Louisiana. The appropriate amount of accident and health insurance premiums collected in Louisiana during calendar year 1999 and that portion subject to assessment was determined. The total amount of \$334,144.61 was reported to the Department’s Statistical Division for invoicing and collection of the amounts due.

An audit of the data collected was begun on the assessments paid or not paid by the health insurance industry for the calendar years 1997 and 1998. Preliminary findings indicate that refunds of approximately \$30,000 will slightly exceed the amount of underpayments past due.

OFFICE OF HEALTH INSURANCE

TABLE 22

Activities of Plan Review and Evaluation Section in FY2000	
Total Form and Advertising Filings Received	4,462
Total Rate Filings Received	1,179
Total Form and Advertising Filings Reviewed	8,223
Number of Filings Returned for Revisions	3,997
Number of Filings Approved	2,799
Number of Filings Certified*	178
Number of Filings Disapproved	1,007
Number of Filings Withdrawn	242
Total Rate Filings Reviewed	828
Number of Filings Approved	819
Number of Filings Disapproved	4
Number of Filings Withdrawn	5
Total Telephone Calls Handled	2,766
Total Written Responses to Inquiries	166

**\* The Certification process was expanded to allow for expedited review and approval of all types of major medical, basic medical/surgical expense and health maintenance organization (HMO) filings submitted on an individual, group or blanket group policy form basis.**

OFFICE OF HEALTH INSURANCE

TABLE 23

Total Number of Health Filings Received by Coverage Type July 1, 1999 – June 30, 2000		
Coverage Type	Number	% Of Total
Med Sup/Select	2,019	34.3%
Major Medical	1,025	17.4%
HMO	646	11.0%
Cancer/Dread Disease	362	6.7%
Disability	351	6.0%
Dental	315	5.3%
AD&D	271	4.6%
Accident Only	268	4.5%
Hospital Indemnity	225	3.7%
Credit A&H	168	2.9%
Critical Illness	97	1.7%
Vision	49	0.8%
Prescription Drug	31	0.5%
Short Term MM	28	0.5%
Miscellaneous	7	0.1%
Total	5,862	100.0%

OFFICE OF HEALTH INSURANCE

POLICYHOLDER AND PROVIDER AFFAIRS

Purpose

This unit provides direct assistance and protection to consumers and health care providers regarding benefits covered, timely and proper payment of claims and refunds, advertising, marketing, underwriting, changes in coverage, access to managed care providers and covered services, contractual terms and provisions, and policyholder services. Emphasis is placed upon:

- Compliance with all applicable state and federal laws, rules and regulations.
- Monitoring for unfair trade or unfair claims settlement practices.
- Educating the public and health insurance industry regarding legal rights, obligations and requirements.

Implementation

- Detailed investigation of formal complaints involving health benefit plans.
- Evaluate findings, recommend and oversee implementation of corrective actions.
- Determine violations of law and initiate disciplinary actions including suspension or revocation of authority or license, monetary fines, cease and desist orders, consent judgments, directives, and withdrawal or denial of contract form approval.
- Provide clarification, direction, information, and assistance in response to inquiries and concerns expressed by the public and industry.
- Oversee and assure industry compliance with laws governing an insurer's withdrawal from the individual, small and large markets.

Table 24 lists all insurers that withdrew from offering health insurance products in Louisiana and additional information on the type of market, number of group and individual policies covered and the number of lives they covered. Also noted are the dates non-renewal notices were issued and the date that each insurer may legally reenter that particular health insurance market in Louisiana.

OFFICE OF HEALTH INSURANCE

TABLE 24

Insurer Withdrawals from the Louisiana Health Insurance Market in FY2000				
Insurer	Market Type	Number of Group/Individual Policies (Covered Lives)	Date Non-renewal Notice Issued	Date Insurer May Legally Re-enter LA Market
1 Alta Health & Life Insur. Co.	Small Group	131 Groups (648 Lives)	JAN-01-2000	JUN-01-2006
2 American Chambers Life Insur. Co.	Individual & Small Group	Unknown	Info Pending	Info Pending
3 American Fidelity Assur. Co.	Individual	Unknown	Unknown	DEC-04-2004
4 American Fidelity Assur. Co.	Small & Large Group	Unknown	Unknown	OCT-01-2002
5 Boston Mutual Life Ins. Co.	Small Group	39 Groups (230 Lives)	JAN-29-1999	AUG-01-2004
6 Celtic Life Insurance Co.	Small & Large Groups	50 Groups (92 Employees)	NOV-01-1998	MAY-01-2004
7 CIGNA Healthcare of LA	Small & Large Groups	109 Groups (9,282 Lives)	On or Before JUL-01-2000	JUL-01-2006
8 Conseco Life Insurance Co.	Individual	Unknown	DEC-30-1999	JUL-01-2005
9 Continental Casualty Co.	Small Group	13 Association Groups (92 Lives)	On or Before JUL-01-2000	JAN-01-2006
10 Continental Casualty Co.	Small Group	1 Group (1 Life)	JUL-01-2000	JAN-01-2006
11 CUNA Mutual Ins. Society	Small & Large Group	78 Groups (783 Lives)	Unknown	SEP-01-2004
12 Employers Health Insur. Co.	All Health Insurance	1,059 Groups (7,377 Lives)	FEB-01-2000	SEP-01-2005
13 First Allmerica Financial	Individual	8 Certificate Holders	On or Before JUL-01-2000	JAN-01-2006
14 General American Life Insur. Co.	Small Group	3 Groups (74 Lives)	MAR-31-1999	MAR-01-2005
15 Great-West Life & Annuity Insur. Co.	Small Group	No Plans in Force	N/A	SEP-02-2004
16 Guardian Life Insur. Co. of America	Large & Small Group	68 Groups (816 Lives)	AUG-2000	MAR-01-2006
17 Jefferson Pilot Life America Ins. Co.	All Health Insurance	Unknown	Unknown	MAR-01-2003
18 Jefferson Pilot Life Insur. Co.	Small Group	5 Groups (126 Employees)	Unknown	JAN-01-2004
19 Midwestern United Life Insur. Co.	Small & Large Group	46 Groups (344 Lives)	FEB-01-1999	AUG-01-2004
20 National Financial Insur. Co.	Individual	59 Policies	Unknown	MAY-2004
21 New York Life Insur. Co.	Small & Large Group	7 Groups (48 Lives)	JAN-04-1999	JUL-04-2004
22 Provident American Insur. Co.	Individual	813 Policies (1,406 Lives)	On or Before JUL-01-2000	JAN-01-2006
23 Prudential Insur. Co. of American	Small & Large Group	64 Groups (523 Lives)	OCT-2000	APR-01-2006
24 Seaboard Life Insur. Co.	Small & Large Group	Unknown	AUG-01-1999	FEB-01-2005
25 TMG Life Insur. Co.	Small & Large Group	Unknown	JUL-01-1998	JAN-01-2004

OFFICE OF HEALTH INSURANCE

TABLE 25

Policyholder and Provider Affairs Complaint Investigation Activities in FY2000	
Complaint Investigations Opened	2,270
Complaint Investigations Closed	2,952
Amount of Benefits and Refunds Recovered	\$1,869,863
Amount of Fines Levied for Failure to Respond to a Complaint	\$5,750
Public Presentations Held	38
Publications Distributed	1,661
Telephone Calls Handled	24,783
Face-to-Face Interviews	107
Written Responses to Inquires	1,867

OFFICE OF HEALTH INSURANCE

SENIOR HEALTH INSURANCE INFORMATION  
PROGRAM (SHIIP)

In addition to the other services offered consumers, specialized services are available to senior citizens and Medicare beneficiaries through the Senior Health Insurance Information Program (SHIIP). SHIIP recruits and trains counselors on a statewide basis about Medicare, Medicare Supplement (Medigap), Medicare Health Maintenance Organizations, Long Term Care insurance and other types of health insurance. The counselors in turn, provide helpful information to senior citizens.

The health insurance counseling program is a volunteer education and protection program that is reliant upon a network of sponsoring organizations across the state, primarily Councils on Aging and Area Agencies on Aging. Prior to establishment of the ICA grants program, insurance counseling, claims filing assistance and the provision of information on Medicare and Medicaid was not available on a statewide basis to over 600,000 Medicare beneficiaries.

The following statistics provide information concerning the assistance provided senior citizens in FY2000 by the SHIIP Division and volunteer counselors.

TABLE 26

Assistance Provided Senior Citizens by the SHIIP Program and Volunteer Counselors in FY2000	
Number of Hours Used by Volunteer Counselors	2,531
Number of individuals Assisted by Counselors	15,682
Amount of Savings to Individuals Counseled	\$1,278,651
Number of Publications Disseminated	42,800
Presentations Given	134
Number of Individuals in Attendance at Presentation	7,374
Number of Initial and Follow-up trainings	5

OFFICE OF HEALTH INSURANCE

TABLE 27

SHIIP Counseling Locations	
Assumption Council on Aging	(504) 369-7961
Bossier Council on Aging	(318) 741-7358
Calcasieu Area Agency on Aging	(800) 223-5872
East Baton Rouge Council on Aging	(225) 923-8000
Jefferson	
Jefferson Council on Aging	(504) 888-5880
Jefferson Community Action Program	(504) 736-6900
Lafourche Council on Aging	(504) 537-3446
New Orleans Council on Aging	(504) 945-0900
St. Martin Council on Aging	(318) 332-3063
St. Tammany Parish Hospital	(504) 898-4043
Senior with Power United for Rights (SPUR)	(504) 945-0900
Tangipahoa Voluntary Council on Aging	(504) 748-7486
Terrebonne General Outreach Center	(504) 876-7577



OFFICE OF HEALTH INSURANCE

**QUALITY ASSURANCE DIVISION**

The Quality Assurance Division is the newest division of the Department’s Office of Health Insurance. The Division’s primary responsibility will be to assure quality compliance by Medical Necessity Review Organizations (MNRO) in accordance with the newly enacted Chapter 7 of the Louisiana Insurance Code.

In 1999, the Louisiana Legislature passed Act 401 mandating the authorization or licensure of entities making medical necessity determinations as Medical Necessity Review Organizations. It also provides for uniform standards for such organizations, so that all health plans must follow the same standards in resolving disputes. In addition, the Act provides appeals from adverse determinations, internal, as well as external reviews.

Effective January 1, 2001, no health insurance issuer and no entity acting on behalf of or as the agent of a health insurance issuer, shall act as an MNRO for the purpose of determining medical necessity, determining the appropriateness of care, determining the level of care needed or making other similar determinations unless licensed or authorized as an MNRO by the Commissioner of Insurance.

The mission of the Quality Assurance Division is to establish procedures for continuous review of quality care, performance of providers and the utilization of health services, facilities and costs. Included in these measures are assessments, fines and grounds for revocation or suspension of licensure for those who fail to provide quality care. The Quality Assurance Division is committed to fairly and efficiently regulating the quality of health care coverage for the citizens of Louisiana and will continue to set standards that will accomplish this goal.

Annual Consumer Complaint Report

Office of Health

LA R. S. 22§1219 – Report by the Commissioner

*The Commissioner of Insurance shall annually submit a report to the Senate and House of Representatives Committees on Insurance relative to complaints received and actions taken pursuant to the provisions of this Part. Such report shall contain information relative to the number of complaints received, and the disposition of same, the amount collected in penalties, the cost of all related proceedings, and such other information as the Commissioner deems pertinent or the Insurance Committees shall request.*

After steadily increasing over the past years, the number of complaints received and investigated regarding health insurance and HMO plans during FY2000 only increased by 62 complaints. It is noted that the number of complaints involving HMO coverage has exceeded the number of complaints involving major medical indemnity coverage for the first time since the HMO Act was passed in 1986. As all twelve currently active HMOs fall within the top twenty writers of major medical health coverage in Louisiana, this shift in complaint activity is representative of an increase in business written by HMOs.

The primary reasons given by consumers for filing complaints involve claims handling disputes such as delays, denials and insufficient amount of benefits paid. Our compliance examiners were able to resolve the vast majority of such complaints in favor of complainants, resulting in \$1,869,863 recovered for consumers in benefits and refunds.

The following statistical reports will demonstrate complaint activities involving the various types of health insurance.

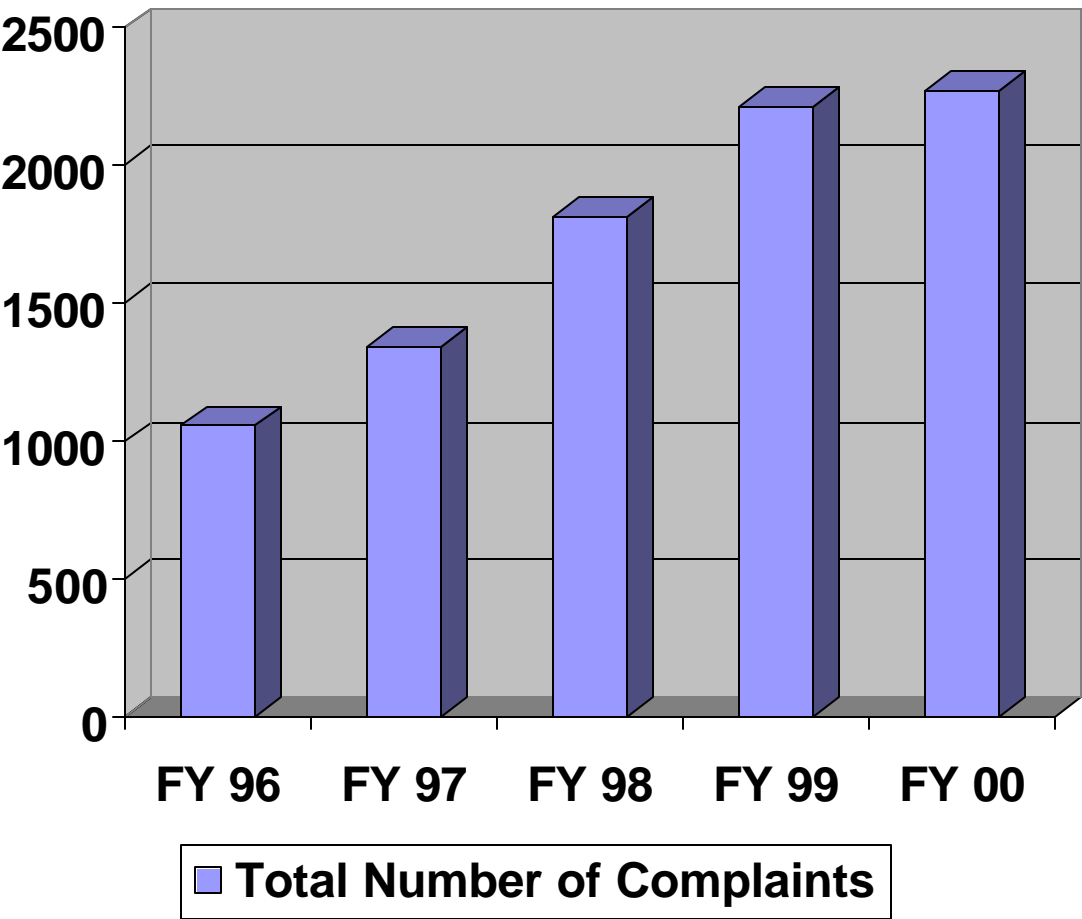
OFFICE OF HEALTH INSURANCE

TABLE 28

Policyholder and Provider Affairs Complaint Statistics Report July 1, 1999 – June 30, 2000		
Coverage Type	Total Filed	% Of Total
HMO	803	36%
Individual Major Medical	338	16%
Self-funded EWBP	314	14%
Group Major Medical	266	12%
Medicare HMO	214	9%
Medicare Supplement/Select	95	4%
Disability	79	3%
State Employees Group Benefits Program	71	3%
Cancer/Dread Disease	46	2%
Dental Only	24	1%
Hospital Indemnity	6	0%
Credit Accident & Health	5	0%
Accident Only	3	0%
CHAMPUS	3	0%
COBRA	2	0%
Total	2,269	100%

CHART 5

GROWTH IN HEALTH INSURANCE  
COMPLAINT ACTIVITY



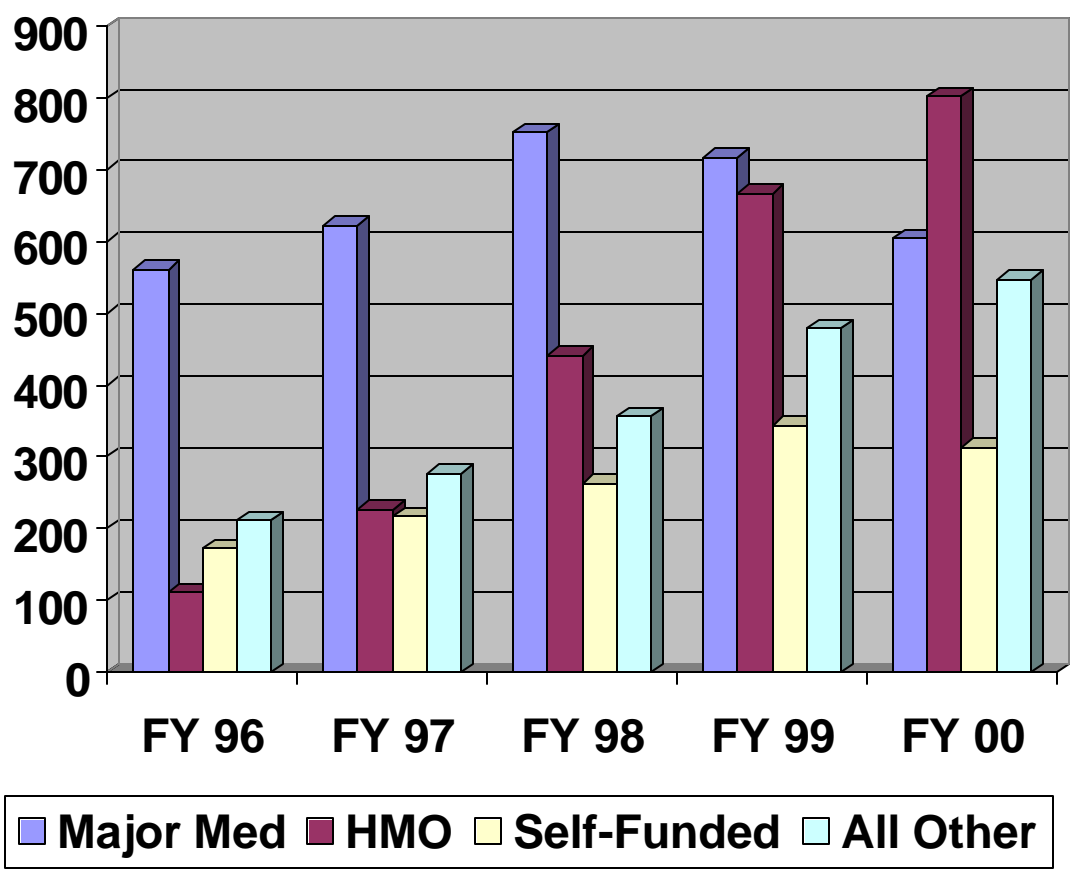
\*All Health Related Coverage Types

1996 – 1056  
1997 – 1344  
1998 – 1813  
1999 – 2208  
2000 – 2270

OFFICE OF HEALTH INSURANCE

CHART 6

HISTORY OF HEALTH INSURANCE COMPLAINTS BY COVERAGE TYPE



- Health Maintenance Organization - Group and Individual
- Major Medical Insurance - Group and Individual
- Limited Benefit Plans - Medicare Supplement/Select, Disability, Credit Accident & Health, Cancer/Dread Disease, Dental, Hospital Indemnity, Accident Only, etc.
- Self-Funded – Single Employer Sponsored Employee Welfare Benefit Plans

OFFICE OF HEALTH INSURANCE

TABLE 29

Primary Reasons for Consumer Health Insurance Complaints Filed in FY2000	
Reason	Number
Claim Delays	713
Claim Denials	602
Insufficient Claim Payment	290
Premium Rating	145
Cancellation (Non-renewal)	61
Access to Care	47
Refunds	47
Refused to Insure	40
Medical Necessity	38
All Other*	247

\* “All Other” involves 25 or less complaints per reason.

OFFICE OF HEALTH INSURANCE

TABLE 30

Top Complaint Dispositions Reached for Health Insurance Complaints Filed in FY2000	
Disposition	Number
Claim Settled	1,077
Company Position Upheld	716
No Jurisdiction	387
Additional Benefit Payment	150
Refund Issued	64
No Action Required	59
Insufficient Information Provided to Substantiate Complaint	45
Referred to Market Conduct Division	34
Coverage Extended	28
All Other*	290

\* “All Other” involves 25 or less complaints per reason.

OFFICE OF HEALTH INSURANCE

TABLE 31

Total Number of Health Insurance Complaints by HMO in FY2000		
Rank	Name of HMO	Number
1	United Healthcare of Louisiana, Inc.	196
2	Ochsner Health Plan, Inc.	183
3	The Oath for Louisiana, Inc.	83
4	Advantage Health Plan, Inc.	81
5	Aetna US Healthcare, Inc.	42
6	HMO of Louisiana, Inc.	40
7	Coventry Health Care of Louisiana, Inc.	34
8	Patient's Choice, Inc.	30
9	Maxicare Louisiana, Inc.	25
10	Gulf South Health Plans, Inc.	24
11	Amcare Health Plan of Louisiana, Inc.	21
12	CIGNA Healthcare of Louisiana, Inc.	17
13	Vantage Health Plan, Inc.	11
14	MedFirst Health Plans of Louisiana, Inc.*	8
15	Health Plus of Louisiana, Inc.	4
16	Remaining Complaints Involve Out-of-state HMOs	4
Total		803

\* These complaints involve the run-off business of HMOs that are no longer active.



OFFICE OF HEALTH INSURANCE

TABLE 32

Total Number of Health Insurance Complaints by Major Medical Insurers in FY2000		
Rank	Name of HMO	Number
1	Blue Cross Blue Shield of Louisiana, Inc.	216
2	American Chambers Life Insurance Company*	26
3	Security Life Insurance Company of America	24
4	Provident American Insurance Company*	18
4	Provident Indemnity Life Insurance Company	18
5	United Wisconsin Life Insurance Company	17
6	Employers Health Insurance Company*	11
6	Golden Rule Insurance Company	11
6	John Alden Life Insurance Company	11
7	American National Insurance Company	8
7	Fortis Insurance Company	8
7	Principal Life Insurance Company	8
8	Celtic Life Insurance company*	7
8	Connecticut General Life Insurance Company	7
8	Conseco Health Insurance Company	7
8	Mid West National Life Insurance Company	7
8	Oxford Life Insurance Company	7
8	Trustmark Insurance Company	7
8	United Benefit Life Insurance Company	7
9	Mega Life & Health Insurance Company	6
10	Remaining Companies Have 5 or Less Complaints	174
Total		605

\* These insurers have withdrawn or are in the process of withdrawing from the group and/or individual health insurance markets in Louisiana. See Table 24 -- *Insurer Withdrawals from Louisiana* -- for specifics.



# OFFICE OF MINORITY AFFAIRS

---

**The Office of Minority Affairs coordinates and supports  
all consumer and insurance agent/agency related  
education, outreach and committee activities for  
minority, small disadvantaged and  
other ethnic groups.**



OFFICE OF MINORITY AFFAIRS

LA R.S. 22§1921(5) Report by the Office of Minority Affairs

*To submit an annual report by April first of each year to the House and Senate insurance committees relative to educational and informational services made available to minorities, the number and types of inquiries and all available relevant information from applicants and agents.*

Legislative Background

In 1984, the Governor signed into law Act 850 creating the Office of Minority Affairs (R.S. 22§1921 and 22§1922). This Act is the regulatory umbrella to assure “Equal Opportunity in Insurance” for the citizens of our State.

In 1992, and 1993, the Louisiana State Legislature, Acts 377 and 380, revised and reenacted the authorizing legislation to expand the scope and duties of the Office of Minority Affairs and its board of directors -- the Advisory Committee on Equal Opportunity. The importance and impact on the business of insurance by the Office of Minority Affairs is outlined below.

Purpose

The purpose of the Office of Minority Affairs is to assist small, minority and disadvantaged insurance agents and agencies by increasing their level of knowledge and participation in the insurance industry and providing them with the necessary informational services. Emphasis is placed on:

- Updating survey instrument and expanding list of small, minority and disadvantaged insurance agents.
- Expanding Key Independent Agency, Inc.
- Adding more courses to the Insurance Curriculum at Southern University New Orleans
- Increasing insurance information services to small and disadvantaged groups.

Implementation

- Updating Agency Information questionnaires and conducting surveys to locate more small, minority and disadvantaged agents.
- Recruiting Key Agency Directors and subagents to work with Key Independent Agency, Inc.
- Locating more standard contracts

## OFFICE OF MINORITY AFFAIRS

- Conducting workshops to train Key Agency Directors to write standard property and casualty insurance policies, computerize their office procedures or upgrade their present computer systems and incorporate new marketing strategies.
- Working continuously with university personnel to add new courses to the Beginner Insurance Curriculum.
- Working to increase the number of minorities and other disadvantaged groups receiving current insurance information through personal visits, seminars, conferences, meetings, job fairs, etc.

### **Membership of the Advisory Committee on Equal Opportunity**

The Advisory Committee on Equal Opportunity is composed of fifteen members encompassing a diverse cross section of experts from the insurance industry, universities, and national and state trade and professional associations.

These distinguished members are responsible for assisting small and disadvantaged agents throughout the state to receive contracts to represent large standard property and casualty insurers. They closely monitor discrimination and unfair trade practices with insurance companies and contract employees. Another charge of the Advisory Committee on Equal Opportunity is to assist in creating and promoting educational programs for agents and minorities to best understand the business of insurance.

### **Highlights**

- National recognition of the Key Independent Insurance Agency, Inc., of New Orleans, for its achievements to make affordable insurance available to urban communities in the state. The mission of the Key Agency, established in 1997, is to provide personal and commercial insurance products to qualifying insurance agents in minority and urban communities. Key is a network of fifteen (15) minority-owned insurance agencies and provides office support, underwriting and marketing.
- Expanded communications and inclusiveness of Hispanic, Asian American and Native American communities to better serve their insurance needs.
- Created an insurance internship program for two students through the Independent Insurance Agents of Louisiana.

OFFICE OF MINORITY AFFAIRS

**Agenda 2000-2001**

- Expand agent and consumer education and informational services to other ethnic groups: Hispanic, Asian American, and Native American Communities.
- Introduce State Legislation in 2001 to add Advisory Board Representatives from other ethnic groups.
- Publish consumer brochures and periodic Department information in Spanish so that Hispanics can better understand:
  - (a) Types of Insurers
  - (b) Types of Policies
  - (c) How to File Complaints
  - (d) How to Understand Losses
  - (e) How to Contact the Department of Insurance for Assistance
- Publish a monthly newsletter for minorities and other ethnic groups.
- Hold regular meetings with minorities and other ethnic group leaders to better serve the insurance needs of culturally diversified communities.
- Continue teaching and promoting pre-licensing and continuing education courses for insurance agents at Southern University, in New Orleans; and offering the next programs at Grambling, in Ruston, and Southern University, in Baton Rouge in the near future.
- Create a proposal to offer CSR (Customer Service Representative) training in New Orleans which will assist agents in servicing 1,500 clients per year for personal lines insurance and 750 clients per year for commercial clients.

TABLE 33

Activities of the Office of Minority Affairs in FY2000	
Small Agents/Agencies Assisted	215
Consumer/Agent Complaints/General Information	36
Committee Meetings Attended	31
Special Meetings	30
Conferences	0
Job Fair	0
Special Projects (Surveys)	8





# OFFICE OF RECEIVERSHIP

---

**The Office of Receivership manages all insurance companies placed in receivership by the courts.**



OFFICE OF RECEIVERSHIP

OFFICE OF RECEIVERSHIP

The mission of the Office of Receivership is to administer the estates of insolvent insurers as efficiently and cost effectively as possible. The goal of the Office of Receivership is to minimize the impact of insolvency to the taxpayers, policyholders and creditors of these insurer estates in Louisiana.

Pursuant to Part XVI of the Louisiana Insurance Code and under the jurisdiction of the state courts, the Office of Receivership maximizes insolvent insurer assets and distributes them according to the order of priority set in law. The Office of Receivership works with the Louisiana Insurance Guaranty Association and the Louisiana Life and Health Insurance Guaranty Association to assure that eligible claims against insolvent insurers are honored to the fullest extent permitted by law.

At of the close of FY2000, seventeen (17) domestic insurers and two (2) foreign insurers in ancillary receivership were open and under the administration of the Office of Receivership. The total amount of cash marshaled during the fiscal year for open estates amounted to **\$143,228,406** while an additional **\$22,287,173** was marshaled in closed estates in FY2000.

Tables 34 - 36 list Insurance Companies in Receivership by:

- Ancillary Estates Open as of June 30, 2000
- Estates Open as of June 30, 2000
- Estates Closed During Fiscal Year Ending June 30, 2000

TABLE 34

Insurance Companies in Receivership Ancillary Proceedings Open as of June 30, 2000	
Name of Estate	Domicile State
Interstate Guaranty	Georgia
United Community	New York

OFFICE OF RECEIVERSHIP

TABLE 35

Insurance Companies in Receivership Estates Open as of June 30, 2000
Alliance Casualty
American Lloyds
ANA Insurance Group
Car Insurance Company (includes AFS)
Cascade Insurance Company
Colonial Lloyds
Denta-Care
Gulf Coast Casualty
Independence Life
Liberty Lloyds (includes Bell & Mgrs.)
Lloyds Assurance
Midwest Life
North American Indemnity
Physicians National Risk Retention Group
Public Investors Life
Savings Life
Superior Life

TABLE 36

Insurance Companies in Receivership Estates Closed During FY2000	
Name of Estate	Estate Closure Date
Champion Insurance Company	August, 16, 1999
Pelican State Mutual	September 13, 1999
Presidential Fire & Casualty	November 08, 1999

# Appendices

**APPENDIX A: Explanation of Terms**

**APPENDIX B: Property and Casualty Insurance**

**APPENDIX C: Life, Accident and Health Insurance**

**APPENDIX D: Group Self-Insurance Funds**

**APPENDIX E: Health Maintenance Organizations**

**APPENDIX F: Title Insurance**

**APPENDIX G: Fraternal Insurance**



## Appendix A: Explanation of Terms





# Appendix A

## Explanation of Terms

The following tables show gross direct premium writings in Louisiana, on a **calendar year basis**, for all insurers segregated by line of business, as categorized in the 1998 Annual Statement. These categories do not provide information about specific insurance coverages or classes of insureds. The data contained hereafter may conflict with other areas of the Annual Report due to the treatment of some premiums as non-taxable. Following is a brief description of terms used throughout the appendix.

### GENERAL TERMS

**Direct:** is the term used to describe insurance transactions between the consumer and the insurance company before or without regard to reinsurance transactions among insurance companies.

**Domestic:** refers to an insurer formed under the laws of the state of Louisiana.

**Foreign:** refers to an insurer formed under the laws of any other state or territory of the United States or the District of Columbia.

**Loss Ratio:** equals losses incurred divided by premiums earned. This is the best accounting representation of the portion of each premium dollar that has been needed to honor the company’s promise to pay claims.

**Losses Incurred:** equals losses paid, plus a year-end estimate of future payments for all current and prior year claims, minus the losses incurred estimate for the preceding year. If these estimates were to be exactly correct, then losses incurred would be the actual cost of all claims on coverage provided during the current year. However, incurred losses reported also includes estimated amounts unpaid for Incurred-But-Not-Reported (IBNR) claims.

**Market Share:** is the ratio of direct premiums written by a company to the total direct premiums written by all companies writing that line of business.

**Premium Earned:** is constructed from premiums written this year and in previous years, and in some instances, premiums to be written in the future for current coverages. It is approximately the pro-rata portion of the premium charged for each policy, for the portion of coverage provided, within the calendar year.

**Premium Written:** is usually defined as premiums billed by property and casualty companies. Rules of life insurance accounting require reporting premiums actually collected.

# Appendix A (continued)

## LINES OF BUSINESS (In order of Appearance)

- Fire:** is written to protect the insured for losses caused by fire and lighting.
- Allied Lines:** is frequently written with property insurance such as sprinkler and water damage, windstorm, tornado, and hail. Includes Multiple Peril Crop.
- Farmowners' Multiple Peril:** provides property and casualty protection for farms or ranches for both business and personal losses.
- Homeowners' Multiple Peril:** provides homeowners a broad spectrum of non-liability and liability coverages.
- Commercial Multiple Peril:** provides commercial establishments with a broad spectrum of non-liability and liability coverages.
- Mortgage Guaranty:** insurance indemnifies a lender from loss if a borrower fails to meet required mortgage payments.
- Ocean Marine:** provides coverage for ocean and inland water transportation exposures; goods or cargo; ships or hulls; earnings; and liability.
- Inland Marine:** provides specialty property coverages relating to articles that may be transported from one place to another as well as bridges, tunnels, and certain instrumentalities of communication.
- Financial Guaranty:** is coverage whereby the insurer generally guarantees the principal and interest payments on a corporate or governmental bond issue.
- Medical Malpractice:** provides coverage protecting a licensed health care provider or health care facility against legal liability resulting from the death or injury of any person due to the insured's misconduct, negligence, or incompetence, in rendering professional services.
- Earthquake:** provides coverage for property losses resulting from a sudden trembling or shaking of the earth, including that caused by volcanic eruption. Excluded are losses resulting from fire, explosion, flood or tidal wave following the covered event.
- Group Accident and Health:** is a medical and hospitalization insurance plan under which a number of persons and their dependents are insured under a single policy issued to their employer or a common entity.
- Credit Accident and Health:** is a coverage which pays certain debt payments (usually car or home loans) in the event of sickness.
- Other Accident and Health:** coverage, usually issued to individuals, that pays benefits for health care, loss of income or for accidental injury or death.

# Appendix A (continued)

- Workers' Compensation:** covers an employer's liability for injuries, disability or death to persons in their employment, without regard to fault, as prescribed by Federal workers' compensation laws and other statutes.
- Other Liability:** coverage protects the insured against legal liability resulting from negligence, carelessness, or a failure to act causing property damage or personal injury to others. Can include: General Liability; Umbrella Liability; Professional Liability; Contractor, Construction and Landlord Liability; and Environmental Liability.
- Products Liability:** coverage protects manufacturers, merchants, and distributors against financial loss arising out of legal liability for losses or injury incurred from use of a covered product.
- Auto Liability:** coverage protects the insured against financial loss because of legal liability for automobile related injuries or damage to the property of others caused by accidents arising out of ownership, maintenance or use of a motor vehicle.
- Auto Physical Damage:** provides coverage for damage to or loss of policyholder's own automobile arising from collision, theft, fire, or vandalism.
- Aircraft:** provides coverage for aircraft (hull) and their contents; aircraft owner's and aircraft manufacturers liability to passengers, airports and other third parties.
- Fidelity:** coverage provides reimbursement to an employer for losses arising from dishonest or fraudulent acts of employees.
- Surety:** coverage provides monetary compensation to a third party if the policyholder fails to perform specified acts within a defined time period.
- Burglary and Theft:** coverage provides for reimbursement to the policyholder for losses due to burglary, robbery, or other forms of larceny.
- Boiler and Machinery:** coverage provides for losses arising from the operation of pressure, mechanical, and electrical equipment. Covered losses include damage to the boiler itself, other property damage and business interruption.
- Credit:** coverage which indemnifies manufacturers, merchants, or other providers of goods and services extending credit, for losses or damages resulting from the nonpayment of debts owed to them for goods or services provided in the normal course of their business.
- Aggregate Write-Ins:** includes coverages not generally described above (e.g., Involuntary Unemployment Insurance, Automobile Warranty, etc...)
- Life Insurance:** provides protection against the death of an individual in the form of payment to a beneficiary – usually a family member, business, or institution.

# Appendix A(continued)

**Annuity:** is a contract of insurance that pays a monthly (or quarterly, semiannual, or annual) income benefit for the life of a person, or persons.

**Industrial Insurance:** relates to modest amounts of coverage, usually less than \$1,000, sold on a debit basis.

**Credit Life:** is a coverage which pays certain debt payments (usually car or home loans) in the event of the debtor’s death.

**Fraternal Insurer:** is an incorporated society, order, or supreme lodge conducted solely for the benefit of its members and their beneficiaries and not for profit, operated on a lodge system with ritualistic form of work, having a representative form of government.

**Health Maintenance Organizations (HMOs):** are insurers which provide or arrange for the provision of basic heath care services to enrollees in return for a prepaid charge.

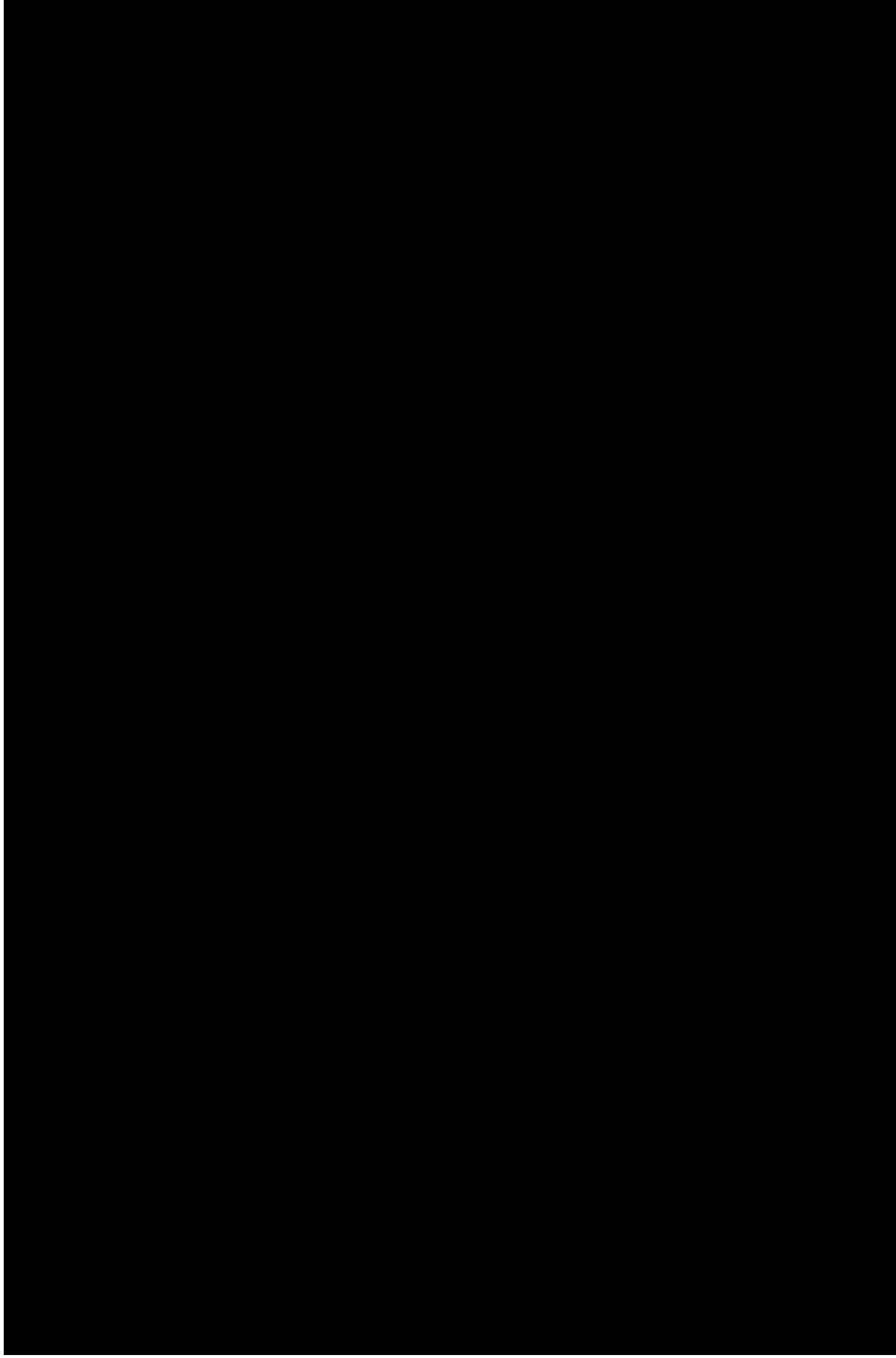
**Title:** insurance insures or indemnifies owners of, or other persons lawfully interested in, immovable property against loss or damage arising from defects, liens or encumbrances on the insured title.

**Self-Insurance Plan:** is any contract, plan, trust, arrangement, or other agreement which is established or maintained to offer or provide health care services, indemnification, or payment for health care services, or health and accident benefits to employees of two or more employers, but which is not fully insured. An arrangement shall be deemed “fully insured” only if said benefits are guaranteed under a policy of health insurance issued by an insurer authorized to transact business in Louisiana.

Appendix B:  
Property and Casualty  
Insurance

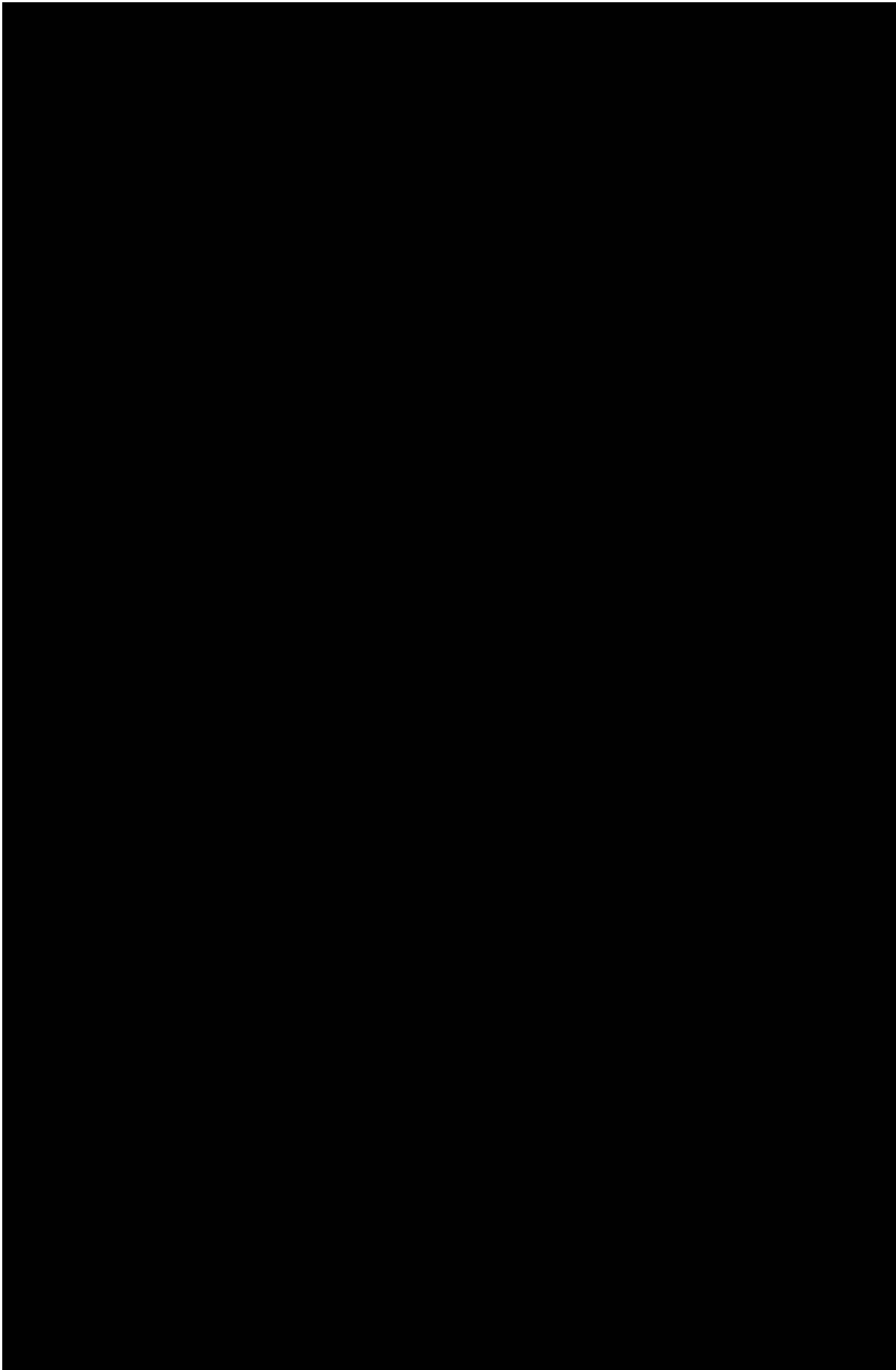


# Property and Casualty Insurers Exhibit of Premiums and Losses Business in Louisiana During 1999



**Caution:** This page is unaudited and may contain inadvertent errors.  
**Data Source:** 1999 Property and Casualty Annual Statement for all companies writing business in Louisiana.

**Property and Casualty Insurers Exhibit of Premiums and Losses  
Business in Louisiana During 1999**



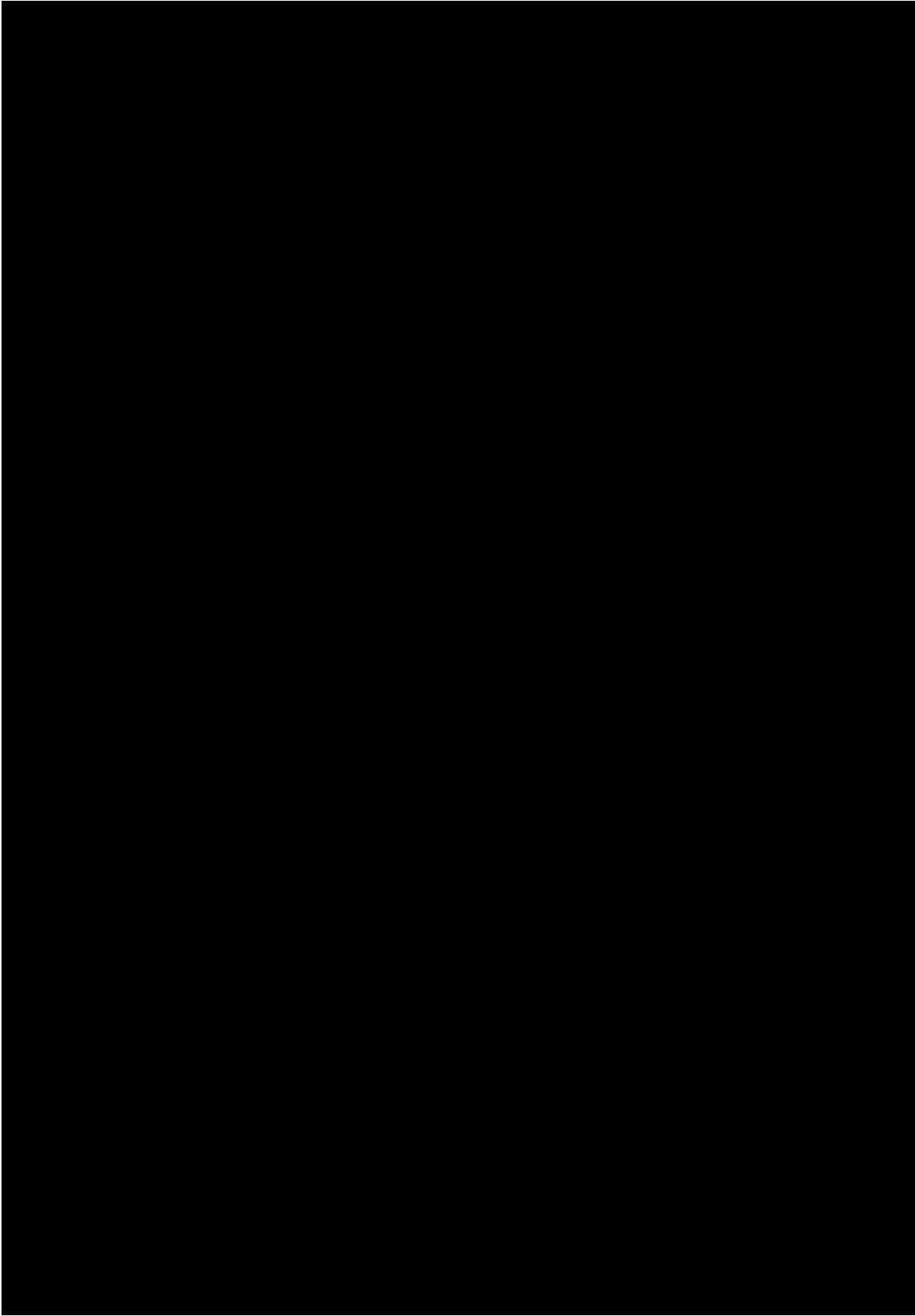
Caution: This page is unaudited and may contain inadvertent errors.  
Data Source: 1999 Property and Casualty Annual Statement for all companies writing business in Louisiana.



Appendix C:  
Life Insurance  
and  
Accident and Health  
Insurance



**Life Insurers Exhibit of Premiums and Benefits  
Business in Louisiana During 1999**



Caution: This page is unaudited and may contain inadvertent errors.  
Data Source: 1999 Life Annual Statement, Page 21 (State Page), for all companies writing business in Louisiana.

# Life Insurers Exhibit of Premiums and Benefits Business in Louisiana During 1999

1. *Journal of the American Medical Association*, 2000; 283: 2689-2695.

**Caution:** This page is unaudited and may contain inadvertent errors.  
**Data Source:** 1999 Life Annual Statement, Page 21 (State Page), for all companies writing business in Louisiana.

Appendix D:  
Group Self-Insurance Funds



Group Self-Insurance Funds Exhibit of Premium Business in Louisiana During 1999	
Fund Name	Premium Written
Employers' Self-Insurers Fund	\$ 4,013,885
LAC Self-Insured Fund (Cotton)	5,074,095
Louisiana Associated Commercial Employers	6,823,212
Louisiana Association of Clerks of Court	252,522
Louisiana Automobile Dealers Association	6,432,722
Louisiana Commerce & Trade Association	6,866,866
Louisiana Health Care Self Insurance Fund	6,980,139
Louisiana Home Builders' Association	15,429,520
Louisiana Hospital Association Workers' Comp Group	1,858,182
Louisiana Housing Council Group Self-Insured Fund	1,851,417
Louisiana Loggers' Self-Insured Fund	1,731,257
Louisiana Municipal Risk Management Agency	18,510,222
Louisiana Restaurant Association	17,251,905
Louisiana Rural Parish Insurance Cooperative	1,140,600
Louisiana Safety Association of Timbermen	7,067,292
Louisiana United Business Self-Insurers Fund	29,745,415
Police Jury Association of Louisiana	5,027,698
Sugar Cane Health Care Trust Health Benefit Plan	1,623,724
Sugar Cane Safety Group Insurers Fund	2,317,849
<b>Total</b>	<b>\$ 139,998,522</b>

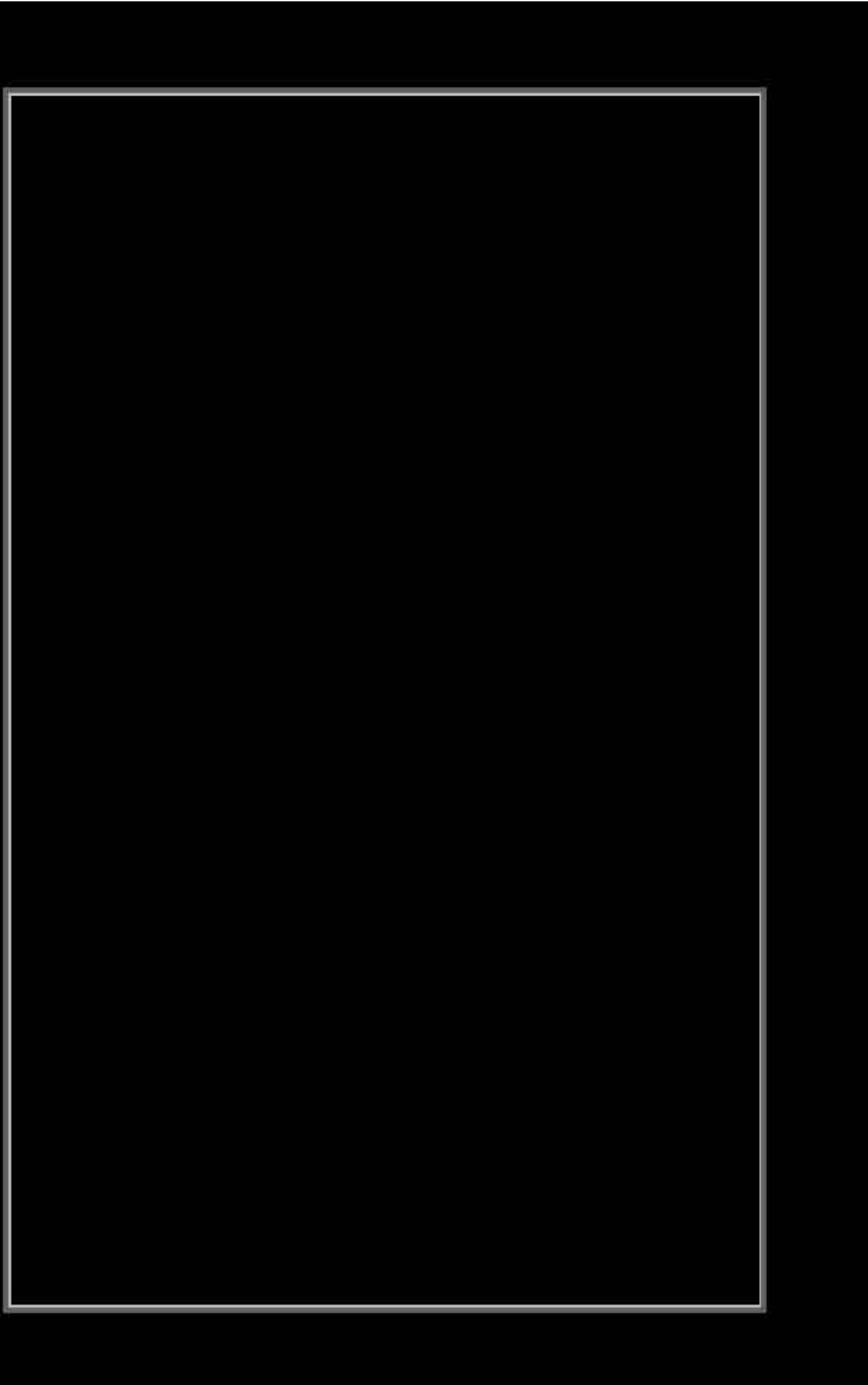
Caution: This page is unaudited and may contain inadvertent errors.





Appendix E:  
Health Maintenance  
Organizations

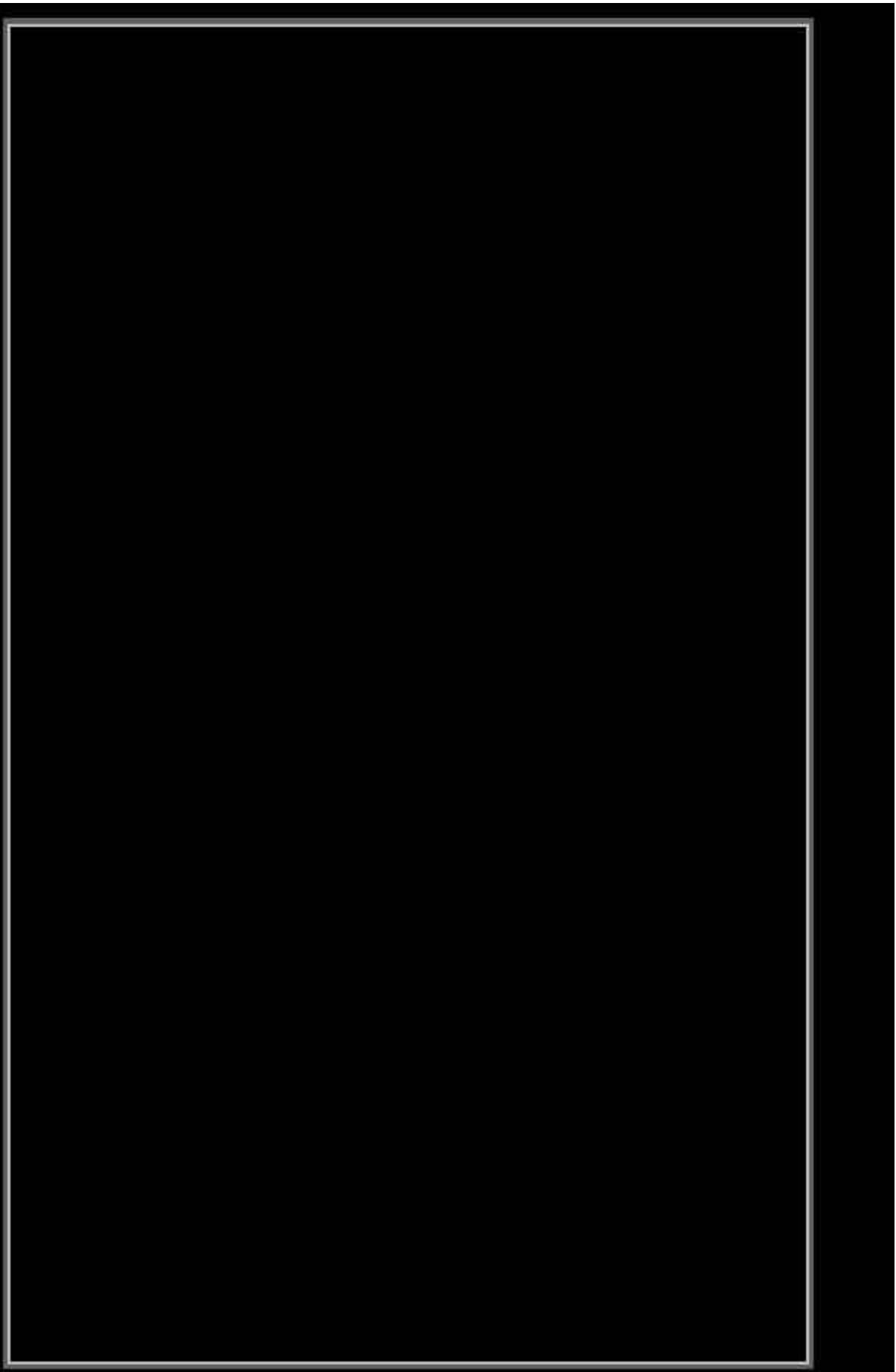






## Appendix F: Title Insurance









Appendix G:  
Fraternal Insurance



**Fraternal Insurers Exhibit of Premiums and Benefits  
Business in Louisiana During 1999**

